Germany faces facts
No more frills, and a taste of Thatcher
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Deregulating Japan
Hosokawa tackles the cosy cartels
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Uranium enrichment
Is new technology worth the cost?
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Sex, violence and the censors

FINANCIAL TIMES

Europe's Business Newspaper

FRIDAY SEPTEMBER 3 1993 D8523A

Clinton warns US is ready to order Bosnian air strikes

President Bill Clinton warned that the US remained ready to order air strikes in Bosnia if the warring factions continued to block humanitarian efforts following the breakdown of peace talks. Speaking in Washington, Mr Clinton said that if there was "abuse by those who would seek to interfere with humanitarian aid, attack the protected areas and resume the sustained shelling of Sarajevo", the Nato military option remained "very much alive."

The warnings came amid signs that American officials were seeking to step up the pressure on the Serbs and Croats. Page 16; Bosnian foes peer into the abyss, Page 3

US rejects drug price controls: Shares in drug and medical services companies rose on Wall Street and in Europe after US president Bill Clinton confirmed he would not impose mandatory price controls on the health industry as part of his healthcare system reforms. Page 16

D-Mark strengthens: The D-Mark strengthened sharply against most currencies amid increasing concerns about the pace of economic recovery in the US and a growing belief that Germany will lower its short-term interest rates more slowly than had been expected. Page 16; Currencies, Section II; Frankfurt optimism, Page 2

Threat to investment plan: British Gas's ambitions to expand outside the UK could be severely curtailed by Ofgas, the country's gas industry regulator. The company has invested £1.5bn ($2.3bn) in other countries and plans to spend a similar amount over the next few years. Page 17

Iacocca resigns as Chrysler director:

Lee Iacocca, (left), who retired as chairman of Chrysler last December, unexpectedly resigned as a director of the automotive group and chairman of its boardroom executive committee. He had been scheduled to remain as chairman of the executive committee until the end of 1994. Neither he nor the company offered any substantive reason for the sudden change of plans, prompting speculation that the departure stemmed from boardroom friction between Mr Iacocca, 68, and his successor as chairman of the group, Mr Robert Eaton, who will now also take over as head of the executive committee. Page 20

Rhône-Poulenc, the French chemicals group which is one of the front runners in the government's privatisation campaign, announced an 11 per cent fall in first-half net profits and warned of reduced earnings for the year. Page 17

Swiss Bank Corporation, Switzerland's third largest banking group, recovered strongly in the first half from depressed profits in the same period last year, doubling net income from ordinary operations to SFr719m ($493m). Page 17

Turkey agrees debt swap deal: Turkey and Libya have agreed an oil-for-debts swap to settle the $600m owed to Turkish contractors, ending more than three years of negotiations on Libyan payment defaults to 35 Turkish companies. Page 6

Renault and Volvo, the French and Swedish vehicle groups, are aiming to announce a full merger of their operations early next week, creating one of the four biggest car groups in Europe and the continent's second largest truck group. Page 17

Delta Air Lines, one of the three big US carriers, has warned it may have to cancel unprofitable routes despite an improvement in its lossmaking transatlantic routes over the summer. Page 20

Pfizer, the big US pharmaceutical company, said it had settled the bulk of lawsuits involving its Shiley heart valve with no material effect on its finances. Page 20

Japan's businessmen halt donations: The Keidanren, Japan's leading business grouping, endorsed a plan to stop contributions to political parties from next year in response to public criticism that corporate gifts to political parties led to corruption. Page 4

Typhoon threatens Japan: Typhoon Yancy, one of the biggest typhoons likely to hit Japan since the second world war, is expected to hit the southern main island of Kyushu with winds of 112 mph around midday today.

■ STOCK MARKET INDICES		
FT-SE 100:	3072.6	(-12.5)
Yield	3.74	
FT-SE Eurotrack 100	1302.75	(-2.88)
FT-A All-Share	1525.09	(-0.3%)
Nikkei	20,983.20	(+29.90)
New York: lunchtime		
Dow Jones Ind Ave	3638.98	(-6.14)
S&P Composite	462.16	(-1.05)

■ US LUNCHTIME RATES		
Federal Funds:	3 1/16%	
3-mo Treas Bills: Yld	3.034%	
Long Bond	102 25/32	
Yield	6.054%	

■ LONDON MONEY		
3-mo Interbank	5 13/16%	(5 15/16%)
Liffe long gilt future:	Sep 113 9/16	(Sep 114 3/32)

■ NORTH SEA OIL (Argus)		
Brent 15-day (Oct)	$16.8	(16.83)

■ Gold		
New York Comex (Dec)	$366.6	(372.6)
London	$364.5	(369.75)

■ STERLING		
New York lunchtime:		
$	1.5015	
London:		
$	1.501	(1.5075)
DM	2.475	(2.5025)
FFr	8.7175	(8.7775)
SFr	2.18	(2.2)
Y	159.0	(159.25)
£ Index	80.5	(81.0)

■ DOLLAR		
New York lunchtime:		
DM	1.645	
FFr	5.799	
SFr	1.4492	
Y	105.85	
London:		
DM	1.649	(1.6595)
FFr	5.8075	(5.8225)
SFr	1.4515	(1.459)
Y	105.85	(105.7)
$ Index	65.5	(65.4)

Tokyo close Y 105.5

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft185	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lv25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Palestinian call for joint Arab signing of peace agreements with Israel

PLO seeks to placate allies

By Mark Nicholson in Cairo and James Whittington in Amman

THE PALESTINE Liberation Organisation said yesterday it wanted Syria, Jordan and Lebanon to sign preliminary peace agreements with Israel at the same time as its own accord on interim self-rule.

The move is an attempt to assuage anger among the other Arab participants to the Middle East peace talks at having been bypassed in secret negotiations which led to the PLO-Israeli accord.

Mr Hakam Balawi, a close aide of Mr Yassir Arafat, the PLO chairman, said in Tunis: "We are making efforts for the agreements to be signed at the same time." PLO and Israeli officials have said they hoped to sign a joint declaration of principles – governing Palestinian self-rule and providing for Israeli military withdrawal from Gaza and the West Bank town of Jericho – in Washington as early as next week.

The PLO's call came after King Hussein, the Jordanian ruler, called for an Arab summit to discuss the imminent PLO-Israeli deal and co-ordinate an Arab response. In a television interview broadcast in Jordan last night, the king expressed deep disappointment at having not been consulted before the PLO-Israeli deal, and said: "We in Jordan do not accept the imposition of any agreement ... we are not a party to."

Jordan is particularly worried about potential security implications of the deal, fearing that any violent opposition to it could spark an influx of Palestinians from the West Bank. "If things deteriorate among the various Palestinian groups over what to do with Gaza-Jericho, then people will seek refuge in Jordan, which we cannot accept," a senior official said in Amman.

There was no immediate response to the king's call for a summit yesterday, which follows his departure for urgent talks in Damascus on hearing of the PLO-Israeli breakthrough. But diplomats said Lebanon and Syria share the king's anger at being bypassed in the PLO-Israeli talks and that all three states will want to digest both the details of the accord and the extent of Palestinian opposition to it before taking any further steps in the resumed Washington peace talks.

Mr Fares Bouez, Lebanon's foreign minister, held talks in Damascus with Mr Farouk al-Sharaa, his Syrian counterpart, after which he said they had agreed "on the importance of continued, deepened and higher co-ordination". Syrian officials refused comment on either the PLO-Israeli deal or King Hussein's call for a meeting.

But while diplomats said Lebanon, Jordan and Syria were likely to try to forge a united front on the agreement, most believed the trio would have little choice but to join the strong momentum Israel and the PLO have created behind their accord.

Both Jordan and Syria are close to agreeing on texts for declarations of principle to guide their own negotiations with Israel. Jordanian officials said this week they could foresee sign-

Continued on Page 16
Recognition near, Page 4

JAL to cut costs by servicing aircraft in China

By Michiyo Nakamoto in Tokyo

JAPAN Air Lines is to shift some of its aircraft maintenance to China, where labour costs are one-tenth those in Japan.

JAL, which is under severe pressure to cut costs quickly, will take a 10 per cent stake in an aircraft servicing plant to be set up by Taeko at Xiaming in China. The company, which was established in June, is 51 per cent owned by Hong Kong Aircraft Maintenance, which does maintenance and repair work for Hong Kong's Cathay Pacific.

The Japanese airline said it aimed to transfer some of the maintenance of its Boeing 747 jumbo jets to Taeko, which will come into operation in 1996. JAL said the move could save it about Y200m ($1.9m) in maintenance costs for each jet, which in Japan costs between Y500m and Y800m.

JAL plans to send its own staff to train engineers in China. It has been able to take advantage of a loosening of regulations by the ministry of transport, which previously had not approved of contracting out aircraft maintenance outside of Japan because of safety considerations.

Japan's Civil Aviation Board, which oversees aircraft safety, will inspect the new facility before it is given the go-ahead to start maintenance work for JAL.

JAL lost Y54bn before tax in the year to March and has been carrying out a major restructuring programme aimed at cutting Y200bn in costs. A key part of its strategy is to increase the ratio of personnel costs accounted in foreign currencies.

The airline has some maintenance work done for it in Singapore, but this is the first time it has set up a maintenance base on a greenfield site. JAL also plans to reduce costs by hiring more non-Japanese flight attendants and ground staff.

Mr Stuart John, deputy chairman of Haeco, the maintenance arm of Cathay Pacific, said his airline was forced to go into China because of space restrictions high inflation and the shortage of labour in Hong Kong.

Tangle of red tape, Page 15

Kohl urges old values as key to German revival

By Christopher Parkes in Frankfurt

CHANCELLOR Helmut Kohl will today appeal for popular support for government plans to protect Germany's future prosperity through a return to the more diligent values and attitudes which helped the country recover after the second world war.

Proposals for privatisation, deregulation and reform of the costly social security system are the main features of a 96-page discussion document, approved by the coalition cabinet yesterday.

"The virtues of public-spiritedness, solidarity and acceptance of technical progress appear not to have the importance they once had in German thinking," it says. Germans "have lost their readiness to accept change and renewal. The postwar generation did not concentrate only on their rights but also on their responsibilities."

The paper, prepared by the economics ministry, calls for a shake-out of virtually all the country's economic and social institutions. It identifies weaknesses in the education system, an overstaffed civil service, and rigid pay and conditions structures which bar the unemployed from returning to work.

It also calls for an end to over-restrictive planning controls on industrial plant construction and for reform of laws limiting shop-opening hours.

Mr Kohl will endorse the programme at a press conference in Bonn today.

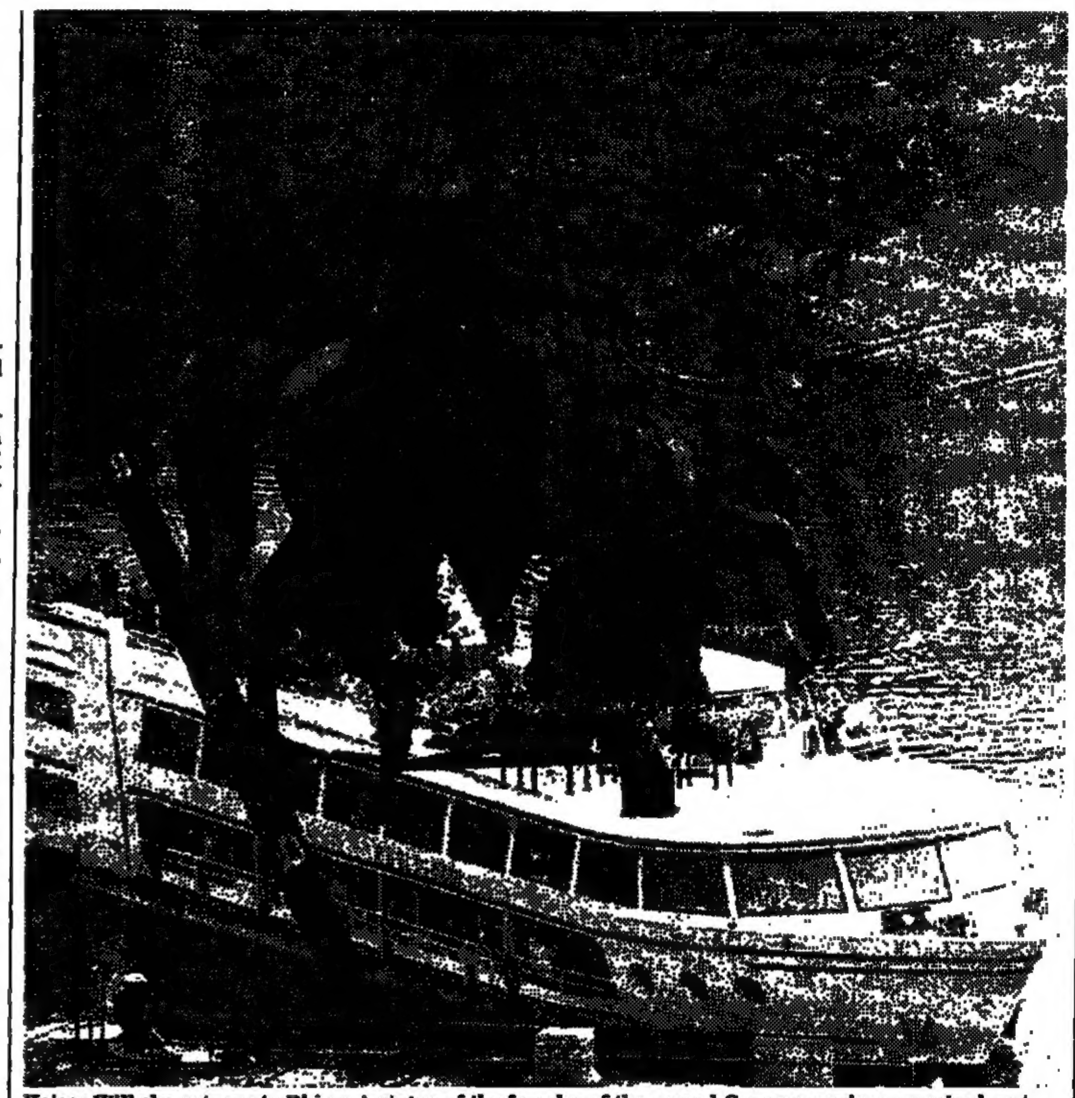
Ciampi warns unions ...Page 2
Unsavoury recipe for recovery ...Page 14

The widely leaked document, "Securing the future of Germany's economic base", was attacked by the Social Democrat opposition as a declaration of the bankruptcy of the government's economic policy. The OTV public services union said whoever followed its recommendations was heading for a "fiasco".

"Yesterday's recipes" were no help in mastering Germany's current problems, said the DAG white-collar union.

The paper is the government's latest attempt to get to grips with

Continued on Page 16



Kaiser Wilhelm returns to Rhine: A statue of the founder of the second German empire was raised on to a pedestal in Koblenz nearly 50 years after US troops destroyed the original. Protesters claim its return could be seen to symbolise a resurgent nationalism since the country's reunification. Picture: Reuters

RJR sees 43% fall in tobacco income

By Martin Dickson in New York

RJR NABISCO, the manufacturer of Winston and Camel cigarettes, yesterday forecast that its 1993 operating income from US tobacco operations was likely to be 43 per cent lower than last year, as a result of the price war launched last April by its main rival Philip Morris.

The company, which also makes foods, said it would suffer depressed financial results for the rest of the year. But it added that it expected to report improved full-year results in 1994 because of an aggressive programme to improve margins in all of its operations.

The US cigarette industry has been in turmoil ever since Philip Morris slashed the price of Marlboro, the top selling brand in the US, by 20 per cent to combat a decline in market share. Other manufacturers, including RJR, were forced to follow suit with their premium brands.

RJR said operating income of its US tobacco unit, before amortisation of trademarks and goodwill, could be $900m lower in 1993 than last year's $2.11bn.

This is the first time RJR has

Continued on Page 16

Dr Pepper brings in a poison pill to deter Cadbury

By Richard Waters in New York

DR PEPPER/Seven-Up, the third largest US soft drinks company, has adopted a poison pill defence to ward off the possibility of a takeover bid from Cadbury Schweppes, the UK drinks and confectionery group.

The creation of such defences has become rare as the takeover boom of the 1980s has waned, in part because most companies which fear a takeover already have them in place. Opposition from some institutional shareholders, who have waged a campaign to force companies to submit existing poison pill plans for shareholder approval, has also made them less fashionable.

Dr Pepper's plan, approved by its board on Wednesday, would be triggered if Cadbury raised its stake above the 25.9 per cent of voting and non-voting shares it already holds. All shareholders other than Cadbury would then have the right to buy one new share at a 50 per cent discount for each one they already owned, thus substantially diluting the UK group's holding.

The poison pill would also come into play if any other shareholder took its holding of voting shares above 10 per cent without approval of Dr Pepper's board.

Dr Pepper said the plan had been adopted largely because of Cadbury, which added to its 5.7 per cent holding of voting shares two weeks ago when it bought a 20.2 per cent stake of non-voting shares from Prudential Insurance, the biggest US insurer. The UK company said it had applied on Wednesday for approval under US antitrust regulation to convert its entire holding into voting shares. Cadbury had stalked Dr Pepper in the mid-1980s, before a management buy-out of the US company in 1988. It returned to the stock market in January.

Dr Pepper said its plan was "not intended to prevent a takeover on terms beneficial to the company's stockholders, but rather to assure that all of the company's stockholders are treated fairly should a takeover become imminent".

The plan was attacked by the United Shareholders Association. The pressure group said: "It's very shortsighted ... It's something to protect people on the inside, not to protect shareholders". Cadbury commented: "It doesn't affect the value of the investment we have made, nor does it affect any plans we have in the immediate future."

CONTENTS

Insurance surplus after spending cuts

German health care system in recovery

By Ariane Genillard in Bonn

GERMANY'S loss-making health care system has recorded a rare surplus following strict curbs on health spending introduced earlier this year, Mr Horst Seehofer, the federal health minister, announced yesterday.

State-subsidised health insurance schemes, which finance health care for 90 per cent of Germans, recorded a DM2.6bn (£1.04bn) surplus in the first six months of the year after reporting a DM9bn loss last year.

Health spending per person covered by the schemes decreased by 2.7 per cent for the period after increasing in 1992 by 9.2 per cent.

"The health insurance system is now healthy again. We have succeeded in changing the behaviour of everyone involved in the health care system and in proving that genuine structural changes are possible," Mr Seehofer said at a press conference.

Expenses for general medical treatment fell by 2.1 per cent in the first half of the year while spending on dental care dropped by 2 per cent.

More than 20 per cent less was spent on medicines. Spending on auxiliary health treatment such as massages went down by 10.2 per cent. The health minister hailed the decreases as the result of a hard-fought reform of the German health care system which came into effect last January.

He said that he was hopeful that reforms would result in targeted savings in state subsidies of DM10bn.

Steady increases in health care spending in recent years prompted German politicians to unite in a rare show of cross-party support last year and introduce unpopular reforms of the system.

The reforms include severe budget ceilings for medicines and treatment prescribed by doctors and hospitals. Expenses incurred above those levels must be borne by patients, although heavy fines can be imposed upon doctors prescribing superfluous treatment.

The reforms have been attacked by the whole medical profession, including the country's dentists who have had to reduce their expenses by 35 per cent this year, partly as a result of the reform eliminating treatment "not necessary to health care".

The German federation of dentists yesterday said that patients were merely holding back from obtaining needed treatment because they feared having to pay for it.

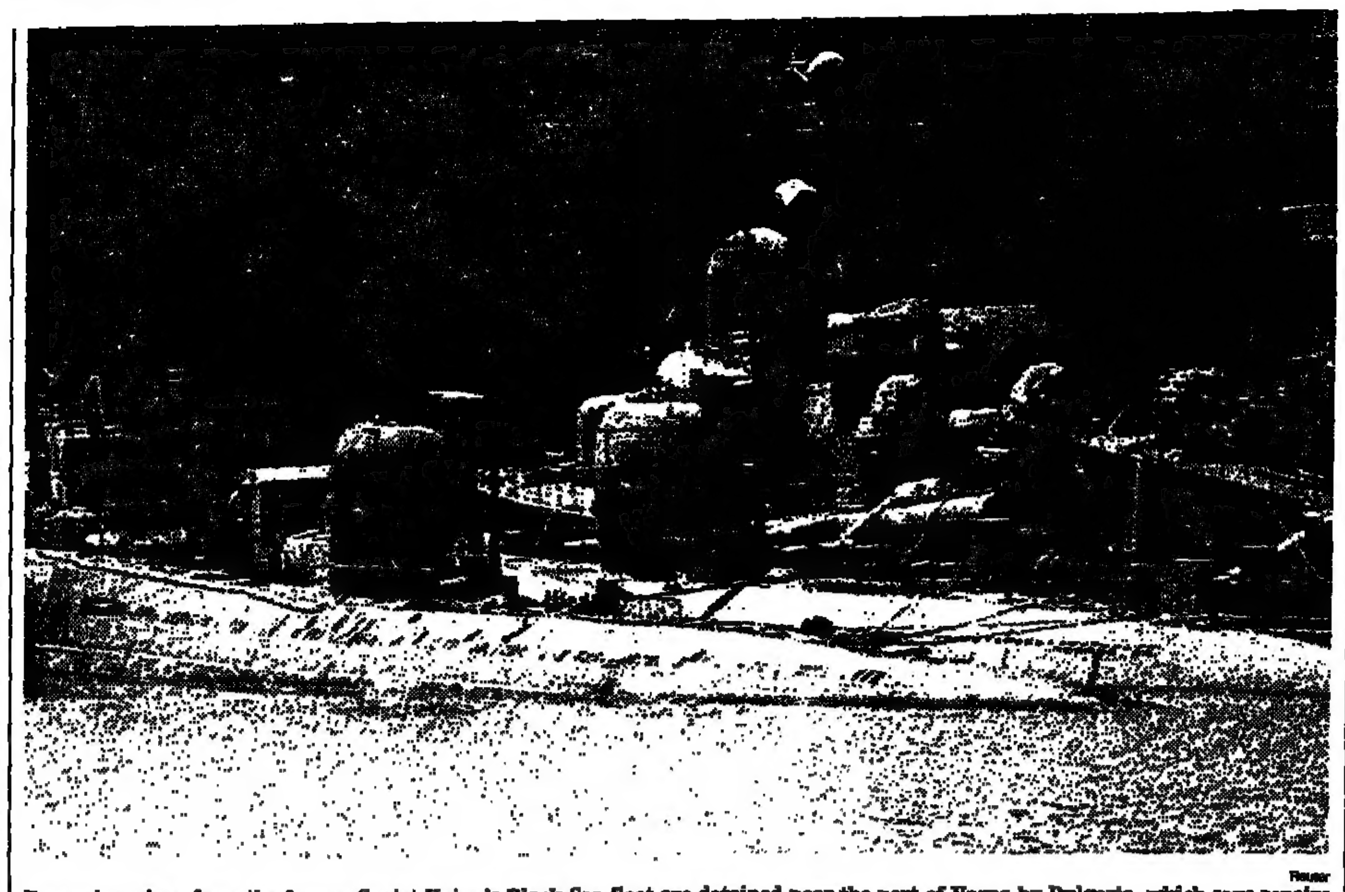
The dentists also warned that the reduction in health spending was only temporary.

The reforms, which also list drugs which can no longer be covered by the national health system, have infuriated the German pharmaceutical industry. The industry claims that the policies being followed by the government in Bonn are largely responsible for the drastic decline in their revenues this year.

The association representing the 90 airlines using Germany's airports has lodged a formal complaint with the European Commission's competition directorate over alleged anti-competitive practices at Hamburg airport, writes David Waller in Frankfurt.

The complaint from the Board of Airline Representatives in Germany (Barig) follows a complaint from seven EC airlines about alleged abuse of ground-handling monopolies at Milan, Frankfurt and a number of Spanish airports.

The move is designed to highlight the lack of competition in ground-handling services at Germany's airports as a whole.



Reuter

Two submarines from the former Soviet Union's Black Sea fleet are detained near the port of Varna by Bulgaria, which says repairs costing $4.5m have not been paid for. Four other warships are being held in Bulgarian shipyards

Frankfurt money supply optimism

By David Waller in Frankfurt

THE Bundesbank can still meet its target for money supply growth for 1993, Mr Helmut Schlesinger, the president of the German central bank, said yesterday.

Mr Schlesinger's remarks, combined with an optimistic assessment of the outlook for inflation in Germany, may serve to revive hopes of further reductions in short-term rates when the Bundesbank policy-making council meets again next week.

The rate of growth in broad money M3 was 7.5 per cent in July on an annualised, seasonally adjusted basis, compared to a target range of 4.5 to 6.5 per cent.

Driven up by high bank lending and the impact of the Bundesbank's currency market intervention, the growth in M3 is restricting the central bank's freedom to cut interest rates. This was acknowledged last week by Mr Otmar Issing, the Bundesbank's chief economist and member of its policy making council, who said that the growth in money supply had made it impossible to cut rates last Thursday. Mr Schlesinger said that while the current level of inflation – running at annual rate of over 4 per cent – was unsatisfactory, there were signs that price pressures were calming down.

Brussels turning against welfare

By David Gardner in Brussels

THE European Commission is swinging in favour of recommending that some EC welfare policies be cut back because they discourage job creation.

Accounts emerging of a closed "seminar" commissioners held on Wednesday, to prepare a White Paper on EC competitiveness, growth and unemployment, indicate that the free-market element in the Commission is starting to seize the initiative.

Mr Jacques Delors, Commission president, who at a meeting of French Socialists last weekend called for a European social pact to fight unemployment, contributed little to the debate, according to officials.

But Mr Martin Bangemann, the German liberal in charge of industry, Mr Peter Schmidhuber, the German Christian Democrat responsible for the EC budget, Sir Leon Brittan, the British Conservative commissioner for trade, and Mr Abel Matutes, the Spanish conservative in charge of energy and transport policy, all pushed hard for a strategy based on cutting EC social security costs, keeping down wages, and labour market flexibility.

They found substantial support, officials say.

Mr Bangemann urged more short-term employment contracts, arguing that the crisis was driving Europe back to "tribal politics". Mr Schmidhuber and Mr Matutes said Europe's welfare system discouraged people from working, while Sir Leon said there was nothing wrong with lower wages, the official said.

Only Mr Karel Van Miert, the Belgian Socialist competition commissioner, and Mr Padraig Flynn, commissioner for social and employment policy from Ireland's Fianna Fail party, took issue with this.

Mr Van Miert warned that cutting wages and social wages in real terms would reduce demand. Mr Flynn argued that with three-quarters of EC jobs in sectors not subject to international competition, there was little profit to be had from reducing the earning power of those who held them.

NEWS IN BRIEF

Labour stays ahead in Norwegian poll

By Karen Fossli in Oslo

NORWAY'S ruling minority Labour party has slipped slightly in the polls 10 days before the general election, but still has a clear lead over the main opposition Conservative party, helped by positive developments in the economy.

According to a poll in Aftenposten, Norway's leading daily, support for Labour has fallen by 1.7 percantage points to 33.4 per cent, while backing for the pro-EC Conservative party slipped 1.6 points to 20 per cent.

The poll showed support for the small anti-EC Centre party dropping 0.9 points to 10.6 per cent. The Socialist Left party, also opposed to EC membership, rose 2.7 points in the poll to 12.8 per cent.

Rutskoi debate in parliament

The Russian parliament will today debate President Boris Yeltsin's suspension from office of Mr Alexander Rutskoi, the country's vice-president, pending investigation of charges of corruption, writes John Lloyd in Moscow.

Mr Ruslan Khasbulatov, the parliamentary speaker, quoted by the Interfax news agency, said yesterday that the parliament would "certainly invalidate" the order.

Mr Yeltsin ordered the suspension of Mr Rutskoi on Tuesday together with Mr Vladimir Shumeiko, the first deputy prime minister – against whom corruption charges have also been levelled.

Rutskoi: faces investigation

Ciampi warns union leaders

The Italian government of Mr Carlo Azeglio Ciampi yesterday held the first of a series of meetings with union leaders aimed at tackling rising unemployment and improving the competitiveness of Italian industry, writes Robert Graham in Rome.

The government is attempting to head off industrial unrest over unemployment. At the same time Mr Ciampi is anxious to ensure greater flexibility in the labour market so Italian companies can take advantage of any recovery early next year.

The prime minister told union leaders any measures to combat unemployment had to be in the context of continued austerity. The government has a commitment to the EC to cut the budget deficit.

Anti-pollution talks deadlock

Environmental talks on reducing sulphur emissions are due to end today, with no agreement on target cuts, writes Frances Williams in Geneva.

A week of negotiations has failed to bridge the gap between nations seeking big reductions by the end of the decade, such as Germany and the Nordic countries, and those, including Britain, which want less demanding targets over a longer period. The 30-nation talks are aimed at hammering out a new sulphur protocol on long-range air pollution.

Bonn's rubbish row deepens

Germany's federal Environment Ministry will hold emergency talks today with representatives of trade and industrial associations in a last-ditch attempt to save the increasingly controversial national recycling scheme from going bankrupt, writes Ariane Genillard in Bonn.

The talks take place as waste management companies across the country are threatening to stop picking up household rubbish from Monday if no financial solution is found to rescue the scheme called Duales System Deutschland (DSD).

Belgium raises interest rates to defend franc

By Andrew Hill in Brussels

THE Belgian central bank yesterday raised its central interest rate from 9.5 to 10.5 per cent and intervened on the currency markets to support the Belgian franc.

The bank's action followed a week of speculation against the currency, and backed up statements by Mr Alfons Verplaetse, the bank governor, that Belgium would not abandon its "franc fort" policy.

The bank also increased its other interest rates by one percentage point. The franc closed yesterday at BFr21.49 to the D-Mark, against a close of BFr21.31 on Wednesday.

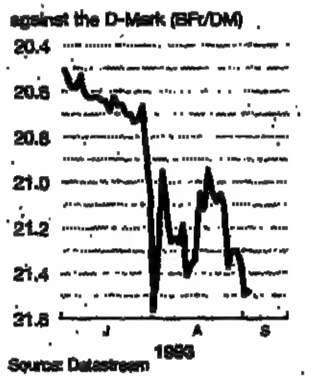
The tightening of monetary policy came on the same day that the country's national statistics institute announced a rise in unemployment from 13.5 per cent in July to 14.1 per cent in August. The latest figure compares to 12.1 per cent in August 1992. Some analysts believe pressure on the currency could increase before next month's negotiations between the government, trade unions and employers.

The talks will try to decide how to improve the waning competitiveness of Belgian business, without undermining state finances. Analysts believe a successful growth pact would relieve pressure on the franc, but belligerent press statements by different participants have fuelled worries about the outcome, particularly abroad.

Failure to agree a growth pact at next month's talks would badly damage Belgium's centre-left government, headed by Mr Jean-Luc Dehaene. Attempts to tinker with the social security system, and to limit index-linked wage rises, nearly brought down the fragile coalition in March.

The latest burst of currency speculation began last week when 14 influential Flemish economists urged the authorities to stimulate growth by lowering interest rates and abandoning the three-year-old link between the franc and the D-Mark.

Belgian Franc



Source: Datastream

● Belgian government bonds fell sharply as many investors were surprised by the rise in interest rates, adds Peter John in London.

There was a rush of selling at the start of the dealing session, with three-year Belgian debt prices down by up two percentage points yesterday. One London trader said: "The market just collapsed. There was a complete lack of confidence."

The Belgian futures and options exchange experienced record volatility in its debt markets in high turnover.

Gamsakhurdia urged to return

REBEL leaders in western Georgia yesterday called on ousted president Zviad Gamsakhurdia to return from exile, saying they would fight to restore him to power, Reuter reports from Tbilisi.

The 60-strong rebel parliament voted to bring the exiled leader back to his home region of Mingrelia in western Georgia. Armed supporters, controlling much of the region, say they are strong enough to put him back in power.

Earlier yesterday Georgian media relayed a government statement which said Mr Gamsakhurdia had told his supporters, partially surrounding the Black Sea port of Poti, to blockade the town.

But the exiled leader, living in the Chechen capital Grozny since early 1992 after being ousted from power in Georgia, denied he had ordered the blockade in preparation for his return, Itar-Tass news agency said.

He told Tass that the railway lines from Poti to Tbilisi had been blockaded by Mkhedrioni pro-government forces.

Georgian leader Eduard Shevardnadze flew to Poti yesterday and then to the towns of Samtredia and Kutaisi.

The government says it is ready to send in troops against the rebels, who have seized a chunk of western Georgia.

Iranian troops gathering on Azeri border

By John Lloyd in Moscow

IRANIAN troops were last night reported by the Turkish government to be massed on the border of Azerbaijan as Azeri forces continue to cede territory to Armenian units in the south-west of the country.

However, the Azeris have denied reports by Russian news media that the Iranian government – which, like Turkey's, has vehemently protested against the Armenian attacks – has already sent troops into Azerbaijan itself.

A spokesman for the Turkish government said after a cabinet meeting that "the continuation of Armenia's occupation [of parts of Azerbaijan]" and Iran's build-up towards the Azeri border "are the first concern of Turkey".

Mr Yildirim Aktuna, quoted by the Turkish Anatolian agency, said that Iran was setting up a 20km security zone on the Azeri-Iranian border to contain the Azeri refugees who are reported to be flooding into the area.

Iran forms all of the southern border of Azerbaijan except for a small strip of Turkey.

Forces from the Armenian-dominated Nagorno Karabakh region within Azerbaijan, which has declared independence from the former Soviet republic and has since been fighting to claim it, have taken a great swathe of territory to the west of the republic, which has resulted in a de facto attachment of Karabakh to Armenia.

In the past few days, the Azeri troops have surrendered the towns of Cebrayil and Kubatli – leaving only the town of Zangelan, in the extreme south-west tip, still in Azeri hands.

These reverses in the face of Armenian-Karabakh forces which have advanced steadily on all fronts for three months appears to have played into the hands of Mr Gaidar Aliev, acting head of state of Azerbaijan, who deposed President Abulfaz Elchibey in June.

Mr Aliev, a veteran former first secretary of the Azeri Communist party, may attempt to use negotiations to stop the haemorrhage of his territory.

The Armenians may be willing to negotiate independent status for Karabakh on the return of land, or may now be prepared to defend their gains against the obviously reluctant fighters of Azerbaijan.

The people of Karabakh yesterday celebrated "independence day" – two years since the day the independence of the enclave, and its "reunification" with Armenia. A Karabakh spokesman told Interfax that, in five years of conflict with the Azeris, the area had lost 70 per cent of its basic industries,two thirds of its crops and 90 per cent of its cattle. Nearly one third of its population are refugees or homeless.

Heineken hopeful on recall losses

By David Brown in Amsterdam and John Ridding in Paris

HEINEKEN, the Dutch brewing giant which was last week forced to recall 3.4m of its beer bottles after the discovery of flaws, was yesterday at pains to stress that damage to its sales, profits and brand name would be strictly limited.

The immediate costs of the recall, which was triggered by fears that a production fault in the bottleneck could cause small glass chips to fall into the beer, would be limited to "several tens of millions of guilders", managers said. It added that this sum will most likely be recovered by year's end.

In Paris BSN, which is the French parent of the Dutch company which produced the bottles, said that no legal action had been taken against it, or its Dutch bottling subsidiary.

BSN added that discussions were being held with Heineken to determine what compensation might be paid.

The French company said that in any event the bottling factory and BSN were covered by insurance.

Poles queue to get their share

Christopher Bobinski on how ordinary people's savings have fuelled the stock market

MR ARTUR Nagorka, one of many Poles attracted to the Warsaw Stock Exchange by several months of apparently endless share price increases, breathed a sigh of relief yesterday as prices resumed their upward march after a dizzying 20 per cent fall at the beginning of the week.

It was only last week that the 27-year-old Mr Nagorka, who works as a bulk cargo forwarder for a western company, brought a wad of zloty notes worth the equivalent of $1,500 into the broking office of Warsaw's Food Economy Bank (BGZ). He invested the lot in shares in Wedel, the confectionery producer controlled by PepsiCo Foods International.

Like thousands of ordinary Poles whose savings have been fuelling a six-month boom on Warsaw's two-year-old stock exchange, he took the decision to risk his entire savings after noticing the money that others were making.

"I did not come in before because I don't think I really have a gift for this kind of thing," he said last week. "But with the banks only offering 3 per cent a year for hard currency deposits and 30 per cent on zloty savings accounts it seems a sensible gamble to invest when stocks are rising by 30 per cent a week."

Last Thursday, the day Mr Nagorka bought his shares, the stock exchange's WIG index hit a new high of 7471.1 after rising 550 per cent since the boom began just before Easter. Turnover that day hit a record 1,227bn zlotys (£41m) for the 19 stocks quoted.

At the next session, on Monday this week, turnover stayed high at 1,003bn zlotys, but most stocks fell to within a whisker of the 10 per cent maximum decline allowed under the WSE trading rules.

The plunge continued on Tuesday and it was only yesterday that all but one stock bounced back close to the 10 per cent ceiling. This "yo-yo" effect, says Mr Nagorka, is worrying him, but he's holding on to his stock and other new investors are continuing to bring their savings into the front offices of Poland's 30 licensed brokers.

Mr Tadeusz Gacyk, the deputy head of the BGZ's broking office says his bank alone is registering more than 300 new investors a day and "doubling the number of our clients every three weeks". Overall, at the end of July there were 102,000 investors in the country with the number growing by 5,000 a month.

The queues outside the brokers' offices are being used as a more frequent guide to share prices than their PE ratios

Share investment under these circumstances has spawned some novel assessment techniques. "I shall sell when I see the daily queue of new investors outside a nearby broker disappear," says one investor who has long abandoned more traditional methods such as studying price earnings ratios, which now stand at around 18.

The boom started when the banks lowered interest rates earlier this year and people began to look elsewhere for a home for at least some of their $14.3bn worth of household savings. At the same time foreign investors, including investment and pension funds as well as banks such as Creditanstalt, began to purchase shares, setting the upward escalator in motion.

Official estimates put foreign ownership of stock at about 30 per cent of the WSE's current $1.5bn capitalisation. But small domestic savers have been providing the real momentum behind the market. The Polish authorities have even been asking foreign investors to hold off their purchases. "We want them to wait and then come in when prices start coming down to stabilise the market," says one senior financial official.

The government, meanwhile, has failed to take advantage of the growth in demand for shares on the WSE to speed up the privatisation of state-owned enterprises. It has offered no more than a handful for sale through a public offering in the past six months. But private sector companies have been equally slow in coming to the market to raise funds through fresh equity issues.

This reticence is partly caused by the time consuming application formalities of the Securities Commission, admits its chairman, Mr Leslaw Paga. But the main cause for hesitation is the reluctance of both foreign and domestic companies to subject their finances to public scrutiny, or suffer the partial loss of control a flotation implies.

As for Mr Nagorka, the last few days have made him more fully aware of the risks. Last week he was confident of making a profit. This week's spin on the WSE's roller coaster has dented that belief: "Originally I'd been planning to sell the shares when I'd doubled my investment, now I think I may sell sooner," he says.

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Karadzic warns Moslems former Yugoslav republic could be carved into two

Bosnian foes peer into the abyss

By Laura Silber in Geneva and Gillian Tett in London

MR Radovan Karadzic, the Bosnian Serb leader, yesterday warned the Moslems that Bosnia could be divided in two following the collapse of peace talks on Wednesday.

"Carving up Bosnia in two pieces would never happen by our intention but it may happen by the events," he said in Geneva shortly before the Bosnian Serbs and Moslems prepared to leave the negotiations.

Mr Karadzic said the Serbs had offered the Moslems a 3km corridor linking enclaves in Serb-held eastern Bosnia, meeting one of Bosnian President Alia Izetbegovic's three territorial demands.

"The Moslems accepted the concession but they wanted more," he said, but added that the Serbs would never yield Moslem towns they conquered in the west of Bosnia as Mr Izetbegovic wanted.

Mr Karadzic and Croatian President Franjo Tudjman both said they had expected a deal until the last moment.

"I was surprised in a way because very important circles were convinced Alia Izetbegovic would agree to the plan," Mr Tudjman told Croatian radio on his return to Zagreb.

Breakdown of the talks has led to mounting concern over the threat of renewed fighting in central Bosnia and signs that the US would step up pressure on the Serbs and Croats for a settlement.

Mr Thorvald Stoltenberg, the United Nations' special envoy, said the breakdown of negotiations had been "a great tragedy", since the parties had come so near an agreement.

"I fear more war and more suffering, more people being killed, which is an awful result," he said. International mediator Lord Owen had earlier warned of "fragmentation, anarchy, warlords and chaos" in Bosnia – and indicated that part of the blame for the breakdown lay in the lack of support the agreement had received from western countries.

Mr Boutros Boutros Ghali, the UN secretary general, yesterday met Mr Stoltenberg to discuss the crisis. Mr Boutros Ghali is to issue a report to the Security Council warning of the potentially "devastating" effect on the civilian population.

A senior US official in Geneva yesterday held out the hope that the three leaders would have a change of heart because the remaining differences were "small". The three sides in the conflict said they still believed a peace deal would be possible, and pledged to try to broker a ceasefire.

However, Mr Cedric Thornberry, the UN special envoy, said in Zagreb there was a "real possibility" of fighting continuing throughout the winter, particularly in central Bosnia, where Moslem and Croat forces have engaged in skirmishes in recent days.

A UN protection force spokesman in Zagreb yesterday confirmed that sporadic clashes were continuing in central Bosnia, although not on a scale that suggested that either the Croats or Moslems had yet launched a serious assault.

But, in another sign of the rising tensions in the region, UN officials in Sarajevo accused Bosnian Croat forces of forcing more than 3,000 Moslem women and children from their homes in recent days.

Croat leaders denied the charges and claimed that Moslem forces were harassing the small Croat enclaves in central Bosnia.

Amid signs that the western world remained deeply devided over what action to take, diplomatic sources yesterday said that the threat of air strikes or sanctions against Croatia was now likely to re-emerge in the coming days.

Both British and German officials however yesterday stressed that a negotiated settlement remained the only solution to the Bosnian settlement.

Some British and US officials are understood to favour extending economic sanctions to Croatia, in an effort to force the Croats to lift their siege of Mostar and possibly make new concessions in the negotiations. However Mr Klaus Kinkel, the German foreign minister, indicated at a meeting with Mr Douglas Hurd, the British foreign secretary in Germany on Wednesday that he remained opposed to this, preferring to use his diplomatic influence over the Croats.

The breakdown of the Geneva conference came almost one year after its launch. Serbia's President Slobodan Milosevic and Croatia's President Tudjman were livid with rage on Wednesday night as Mr Izetbegovic sat impassively in Geneva's Palais des Nations.

Mr Izetbegovic, a Moslem, yesterday defended his decision to hold out for further territorial concessions in spite of warnings about the imminent danger of an upsurge in violence.

"The signing of this plan would be tantamount to a collective suicide for the Moslems," he said before leaving Geneva for talks with Mr Suleiman Demirel, the president of Turkey who is one of Bosnia's main backers.

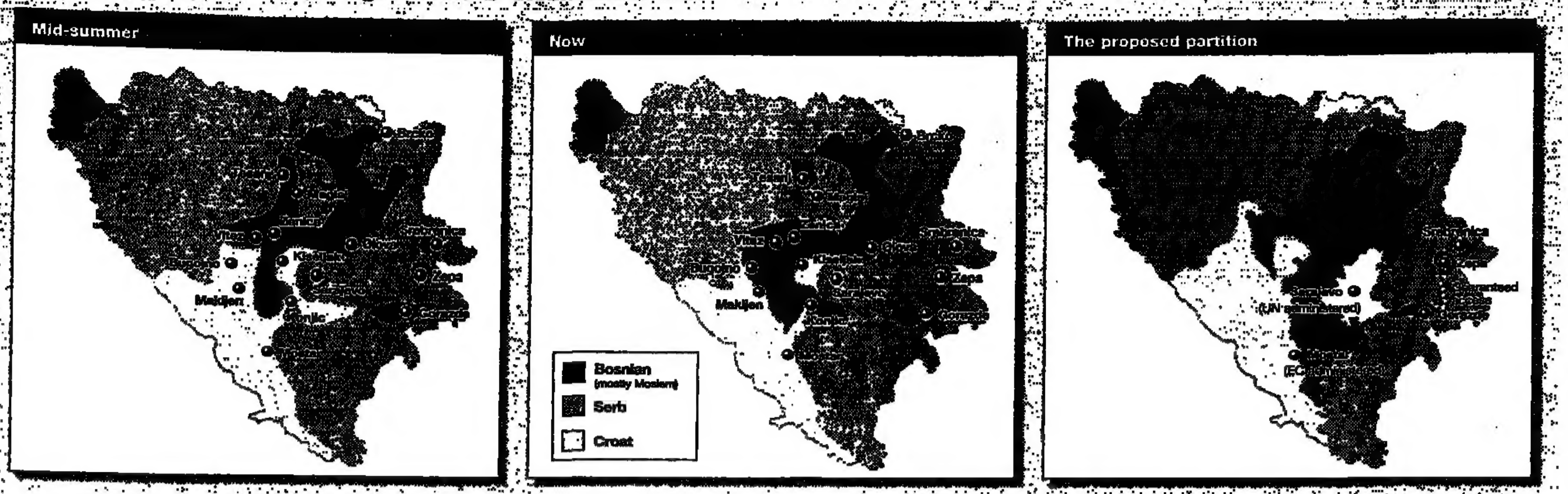
"Either we get a viable state, or no deal," he said. Mr Izetbegovic plans to address the Security Council in New York on Monday.

Mr Izetbegovic appeared to dismiss the threat of more war, saying that Sarajevo could survive another winter. Both sides said they would respect a ceasefire agreement.

Mr Izetbegovic had reluctantly agreed to Bosnia's partition into a union of three "ethnic" republics. Under intense pressure and faced with Serb and Croat military victories, on Wednesday he scaled down his demands to a "minimum of minimums" of 34 per cent.

"I did not understand," said Mr Karadzic when asked why the talks broke down. "I cannot believe the Moslems are refusing this offer, which is honest and fair." But the senior US official yesterday made clear that Serbs and Croats are now expected to hand over more territory.

Bosnia-Hercegovina: fears grow of an intensified war



As the Geneva peace talks started up in July, the alliance between Croat and Moslem allies had broken down: the Moslem-lead Bosnian army had pushed back Croat forces in central Bosnia, Croat forces stepped up the assault on Mostar's Moslem sector, and the Serbs continued the assault on other Moslem enclaves, cutting off Goradze from Sarajevo, isolating Tesanj and surrounding Sarajevo, prompting Nato in early August to threaten the Serbs with air strikes.

By the time the talks stalled this week, Moslem forces had made considerable gains, while the Croats had succeeded in beseiging Mostar. After taking Bugojno, Moslem forces are now attacking Komjic and appear to be preparing an assault on the Maidjen ridge. Croat forces are reportedly being reinforced and preparing an assault to defend their enclaves in central Bosnia. Despite Serb threats of a new assault, Serb lines have remained fairly static, though fighting continues around Brcko.

The Serbs, who now control 70 per cent of the land and have achieved most of their military aims, would see their portion reduced to 52 per cent. The Bosnian Moslems, who control 10 per cent, would receive 28 per cent, though losing some recently conquered land and having only tenuous access to the Adriatic and their eastern enclaves. Some Moslem commanders hope to wrest more land, though, in practice, their forces would be little match for a Serb assault or reinforced Bosnian Croats.

US blames failure on Croats and Serbs

By George Graham in Washington

THE US yesterday urged the three sides in the Bosnian conflict to go back to the negotiating table, but placed the blame for the breakdown in talks firmly on the "stubbornness and intransigence" of the Serbs and Croats.

Mr Warren Christopher, the secretary of state, said the Serbs and Croats "should show greater flexibility in working to achieve the adjustments that the Bosnian government has asked for in order to find a more equitable settlement".

Officials in Washington said the US supported the three principal demands of the Bosnian Moslem government for changes to the division of territory proposed in Geneva: a sea outlet for the Moslems at Neum, enlargement of the Moslem enclave around Bihac in north-western Bosnia, and a land corridor linking the eastern enclaves to the main Moslem territory.

The US is keeping open the options of lifting the Bosnia arms embargo or carrying out air strikes against Serb or Croat militias. But Mr Christopher said the first priority should be resumption of negotiations, with tougher action available for "future consideration".

"It's our evaluation that with the parties close to settlement and with the winter coming on it would be especially tragic if they don't grasp the opportunity to contain the settlement that seems to be within reach," he said.

Much talk, little action on help for war victims

By Frances Williams in Geneva

THIS week's conference on the protection of war victims called by the International Committee of the Red Cross demonstrated the gap between good intentions and political realities.

The 160 or so countries taking part declared they would take stronger action to enforce rules protecting civilians in wartime. But there must remain doubts as to how the declaration will be translated into practice.

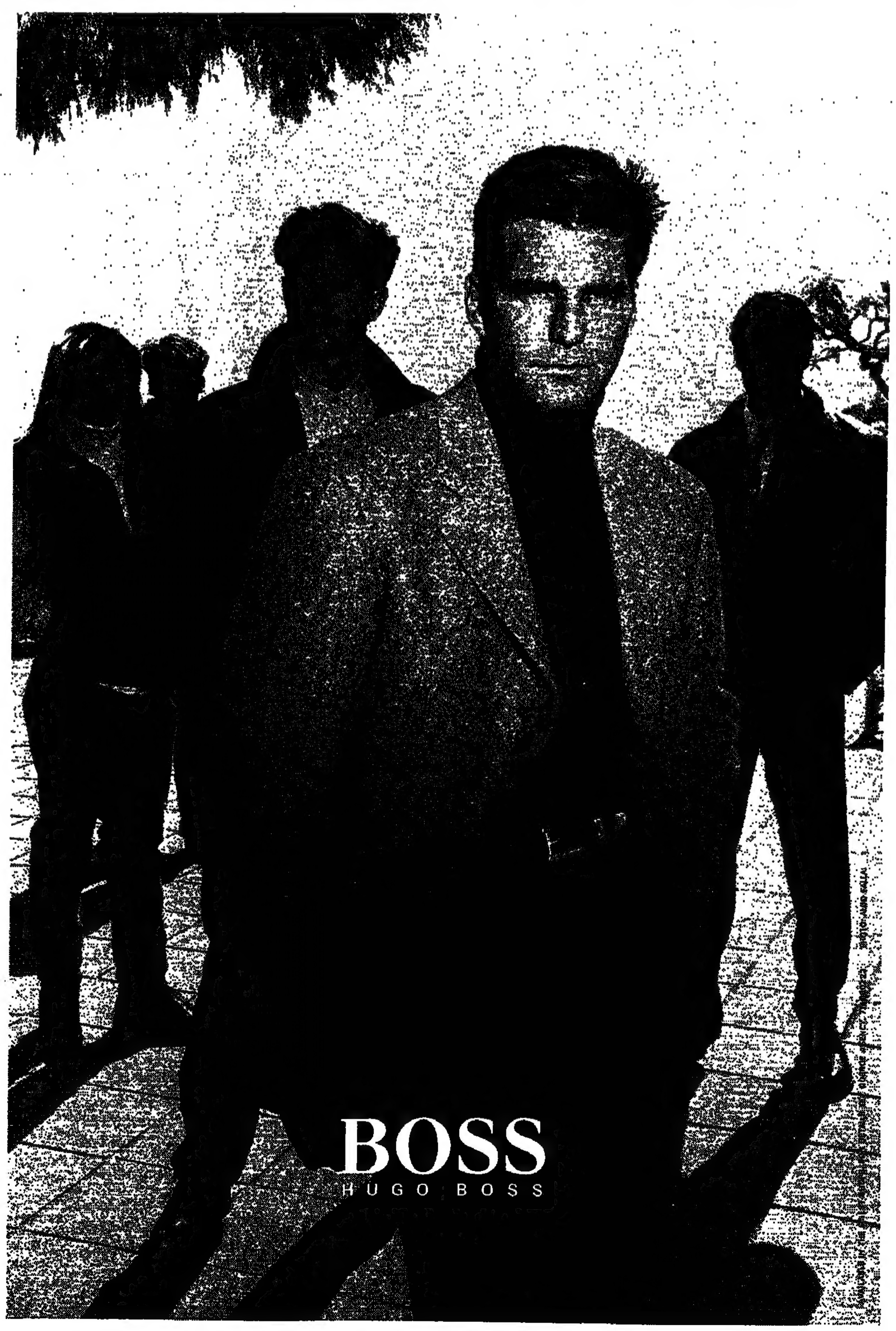
Before the conference Mr Cornelio Sommaruga, the ICRC president, urged the US, Britain and France to ratify the 1977 protocols which outlaw methods of warfare that cause unnecessary suffering and to extend the rules on protection of non-combatants to civil conflicts. None of the three said it would.

Similarly, there is a general recognition that better ways have to be found to make humanitarian law effective in civil conflicts, where the fighting may be done not by disciplined troops but by armed bands, and where civilians are all too often deliberate targets rather than accidental victims.

The general rules laid down in the Geneva Conventions and the later protocols apply to internal wars but getting them to stick is another matter.

The conference agreed to ask the Swiss government to convene a group of experts to study "practical means" of promoting full compliance with international humanitarian law, but this is unlikely to produce results for a year or so.

The declaration contained a specific call to outlaw anti-personnel mines, some 85m of which remain uncleared around the world, inflicting a daily toll of innocent victims.



Brussels turning against welfare

Heineken hopeful on recall losses

Recognition hours away, says PLO

By Mark Nicholson in Cairo

ISRAELI recognition of the Palestine Liberation Organisation is "a question of days, if not hours" away, according to Mr Hakam Balawi, a top aide to Mr Yassir Arafat, the PLO chairman, yesterday.

Mr Balawi said from the PLO headquarters in Tunis that Israeli and Palestinian negotiators were "at the final stage before reaching a compromise for announcing official mutual recognition". He said an historic Israeli accord on recognition would be followed immediately by US agreement to resume contacts with the PLO.

Palestinian leaders in Tunis were yesterday considering the text of an announcement of recognition which, Palestinian officials in Washington said, Mr Amr Moussa, Egypt's foreign minister, had brought back from Tel Aviv after his hastily arranged visit to Israel on Wednesday.

Senior PLO officials in Cairo said they expected to reach agreement on recognition before signing the declaration of principles on the accord with Israel offering limited self-rule in Gaza and the West Bank. This, the officials said, could be accomplished as soon as next week in Washington.

The Cairo officials said that they hoped to meet Israeli terms for recognition without making formal amendments to the Palestinian Charter, something that would require a full meeting of the Palestine National Council, the Palestinian parliament-in-exile.

"Those raising issues of wanting to change the charter are simply trying to raise difficulties in the peace process," said one PLO official. He said that Mr Arafat's renunciation of terrorism against Israel, made at the United Nations in 1988, amounted to a de facto renunciation of armed struggle against the Jewish state.

The next step is likely to be a PLO announcement reiterating its renunciation of violence and the "destruction of Israel". Israel is then expected to announce its readiness to engage in open talks with the organisation.

The PLO official said a "necessary" next step would be a summit meeting between Mr Arafat and Mr Yitzhak Rabin, the Israeli prime minister and said "contacts are being made to arrange this".

However, diplomats think such a meeting to be out of the question at least until some months into the negotiations which will immediately follow the signing of the PLO-Israeli agreement on limited self-rule.

Brussels promises 'full commitment' of aid

By David Gardner in Brussels

THE European Commission yesterday promised "a full commitment" of aid to the Palestine peace process, but stopped short of pledging concrete sums of money, after meeting Mr Shimon Peres, the Israeli foreign minister.

After the meeting, Mr Peres hinted that mutual recognition between Israel and the Palestine Liberation Organisation could be imminent.

Mr Peres met Mr Jacques Delors, Commission president, and Mr Hans van den Broek, EC external affairs commissioner, seeking a substantial EC aid pledge for the emerging peace settlement, closer EC-Israeli ties, and support for regional development.

Mr Delors said the EC would move quickly with technical assistance to help set up the future Palestinian authority in Gaza-Jericho.

Commission officials said it was a priority to establish the local apparatus through which to channel larger amounts of aid and investment in the future.

"As a first step, we need a relatively small amount of money for technical assistance to help them start up their institutions," Mr Delors said, mentioning a substantial contribution to a multilateral Early Empowerment Fund worth about $300m (£199m).

He said the next priorities would be funneling of funds towards health, education, and the creation of small to medium-sized enterprises.

"The amount of public money may be relatively small: we need private investment with the support of financial institutions," such as the European Investment Bank, he added.

The EC is the largest supplier of public aid to the occupied territories, providing some Ecu700m (£534m) in all, including Ecu60m last year. But the demands of the former Yugoslavia, Somalia, and other crises worldwide have exhausted the Brussels aid budget.

At the Lisbon summit in June last year, EC leaders promised to play "a major role" in supporting financially a Palestinian peace agreement, and officials said it was now up to member states to decide whether to do this through the Community or bilaterally.

"If the member states want the Commission to do more, they have to provide the means," an EC aid official said.

Mr Delors said "the Commission will seek a full commitment" from the 12 member countries.

Mr Delors also mentioned the longer-term prospect of establishing a Middle Eastern organisation analogous to the EC's original Coal and Steel Community, to exploit in common scarce resources such as water.

"There are a number of areas where there is scope for regional integration and that is where the Community thinks it should concentrate its efforts," an aide said.

Associated Press

A Palestinian family seeks shade in an abandoned house outside Jericho in the West Bank yesterday. The graffiti, by an unnamed Israeli right-wing group, ask if Israel would "deport" Jewish settlers from the Golan Heights in the event of an accord with Syria

Arab divisions come into open

OPPOSITION to a peace agreement between Israel and Palestinians yesterday started to crystallise around extremist Islamic fundamentalist groups and Palestinians in the occupied West Bank, writes Julian Ozanne in Jerusalem.

However, fears of a strong challenge from the Israeli right wing appeared to be diminishing yesterday as opposition Likud party officials expressed concern about divisions on the right, financial problems and a lack of public response to protest calls.

Among Palestinians it became clearer that strong opposition to the deal is felt in areas of the West Bank, such as Ramallah and Jenin, which will have a lesser form of self rule than the Gaza Strip and West Bank town of Jericho.

An opinion poll of 750 Palestinians published in yesterday's East Jerusalem Arabic newspaper Al-Nahar showed a slim majority of 52.8 per cent in favour of the accord, with over 41 per cent against. In Gaza and Jericho, support for the agreement was more than 70 per cent but almost three-quarters of those interviewed in Ramallah and Jenin were against the peace deal.

Mr Faisal Husseini, a leading Palestinian political figure, continued meeting opposition movements yesterday to plead against violent action. However, it was clear that fundamentalist Islamic groups such as Hamas and Jihad Islamiya in alliance with splinter factions of the PLO were determined to wreck a deal they label as "treachery".

NEWS IN BRIEF

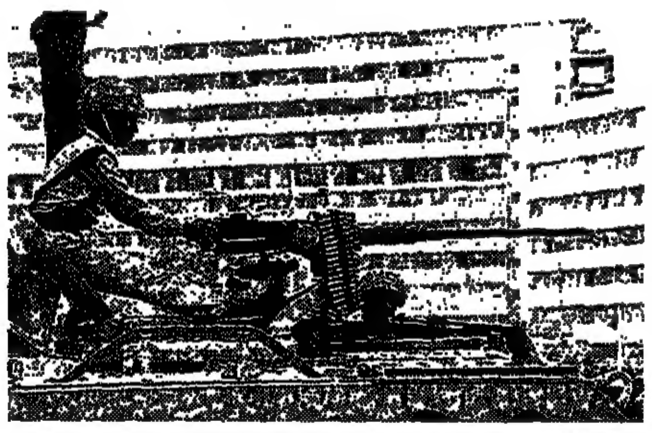
Islamic parties call strike in Karachi

BUSINESS and corporate life in Karachi, Pakistan's largest commercial city, came to a halt yesterday, in response to a strike called by the Pakistan Islamic Front – a coalition of Islamic political parties, Farhan Bokhari reports from Islamabad.

Public transport was shut down forcing shopkeepers, labourers and port workers to stay at home. There was only thin trading at the Karachi Stock Exchange, Pakistan's leading stock market.

The strike was called to protest at economic reforms announced by Prime Minister Moeen Qureshi. Islamic leaders claim that the recent devaluation of the rupee and a 21 per cent petrol price rise this year have "intensified miseries for the common man".

Elsewhere in Pakistan, the response was partial. In Lahore, Pakistan's second largest city, some shops were closed, but most businesses and public transport were unaffected. It was not clear last night if yesterday's events would encourage the Islamic leaders to step up their campaign.



Associated Press

Soldiers guard government buildings in Karachi yesterday *during the strike by Moslem fundamentalists*

China crows over 'poison cargo'

China yesterday claimed victory over the US following a bitter argument about the cargo on board a Chinese ship bound for the Middle East. Washington had alleged that the vessel was transporting chemicals to Iran for weapons production, Tony Walker reports from Beijing.

Wu Jianmin, foreign ministry spokesman, told reporters that a team, including Chinese and Saudi technical experts had conducted an inspection and found no evidence of the chemicals on board – thiodyglycol and thionyl chloride.

The US, whose naval vessels had interrupted the Yin He's passage through the Gulf, had claimed the Chinese ship was transporting chemical "precursors" to the Iranian port of Bandar Abbas for use in the manufacture of mustard and nerve gas.

Wu said the inspection was conducted at Dammam in Saudi Arabia in the presence of "personnel dispatched by the United States" who served as "technical advisers" to the Saudis.

Taiwan acts on corruption

Taiwan's cabinet yesterday passed an administrative reform plan calling for stiffer penalties for official misconduct and big rewards for those informing against corrupt officials, Dennis Engbarth reports from Taipei.

The move follows a series of high-profile corruption cases that have damaged the ruling Kuomintang's standing. A recent poll of 1,145 respondents by a leading business monthly showed that over 46 per cent felt the KMT was "unclean".

Premier Lien Chan said the anti-corruption effort will reach into all fields of government.

The government will offer rewards of up to NT$6m (£147,500) for information leading to conviction of a corrupt official, pending legislative approval. Officials at all levels will have to report any non-family gift worth more than $75, to the head of their ministry or agency and its anti-corruption office. The plan also mandates strict supervision and punishment of officials in 14 categories of public service, including big public construction projects and procurements by government agencies.

S Africa may end media control

South Africa's democracy negotiators approved a draft bill yesterday to end state control of radio and television, Reuter reports from Johannesburg.

The bill, setting up an independent broadcasting authority (IBA), is one of a package of measures intended to ensure that South Africa's first all-race election in April next year is free and fair. It is planned that the IBA remain in place after the elections.

The IBA bill and others passed by the 23 groups negotiating the transition from apartheid to majority rule are due to be passed in parliament later this month.

Home Affairs Minister Danie Schutte said the IBA bill would establish a broadcast industry free from political control and influence.

Nigeria oil workers to remain on strike

By Paul Adams in Lagos

NIGERIA'S oil workers are to stay on strike until Monday despite the return to work announced yesterday by the rest of the labour movement. The blue-collar oil workers' union, NUPENG, angrily rejected the agreement by the Nigeria Labour Congress to call off the three-day general strike in return for a suspension of last week's 10-fold increase in the price of petrol.

Although the oil workers' strike has not stopped the production of crude oil, which accounts for more than 90 per cent of export earnings, it has halted public transport and kept fuel stations dry in many parts of Nigeria this week. In the big cities in the south, available reserves of fuel are disappearing. The biggest hospital in Nigeria, in Lagos, has run out of fuel and fear of reprisals is preventing tanker drivers from strike-breaking.

The oil workers' strike keeps the pressure on Mr Ernest Shonekan's interim government to reach a compromise with pro-democracy groups and the deposed winner of the June presidential elections, Mr Moshood Abiola.

A meeting between labour congress leaders and the government on Wednesday failed to resolve their differences over the June election results.

Keidanren to stem party funds

By Emiko Terazono in Tokyo

THE KEIDANREN, Japan's leading business grouping, yesterday endorsed a plan to stop contributions to political parties from next year.

The decision will cut off funding of more than Y13bn (£83m) a year to the Liberal Democratic party, which lost power last month. Mr Gaishi Hiraiwa, Keidanren chairman, said the move was in response to heightened public criticism that corporate gifts to political parties led to corruption.

The Keidanren's move will also affect some parties in the new coalition government which depend on corporate contributions. Mr Morihiro Hosokawa, prime minister, who has pledged to clean up politics by cutting links between companies and politicians, has been forced to pare this down and is now calling for a ban in corporate donations in five years' time.

However, Mr Masayoshi Takemura, chief cabinet secretary, said the Keidanren's decision was inevitable, while Mr Yoshiro Mori, secretary general of the LDP, criticised the move, saying the current system had contributed to a "clean" flow of funds.

The Keidanren, the federation of economic organisations, has acted as a conduit of funds from its members to political parties since 1955. The decision is likely to prompt similar moves by businesses and other industry associations.

Mr Hiroshi Saito, Keidanren vice chairman, president of Nippon Steel and chairman of the Japan Iron and Steel Federation, said the steel industry would follow the Keidanren's line. But Mr Yotaro Iida, another Keidanren vice chairman and chairman of Mitsubishi Heavy Industries, said he opposed an immediate halt of corporate donations.

The Keidanren is calling for the introduction of public subsidies for political parties and an increase in donations from individuals. Mr Hiraiwa expressed support for the ruling coalition's plan to use Y60bn a year in public funds, or Y500 a head, to support the parties.

This plan has run into increasing criticism, and the coalition may be forced to cut the amount. But Mr Hiraiwa yesterday said ordinary Japanese might be able to shoulder an even larger amount.

The Keidanren said that it would help the LDP repay loans totalling Y14.5bn from eight leading Japanese banks. The business group will solicit donations of Y10bn over the next three years, but it will leave the LDP to repay the remaining Y4.5bn by itself.

Saito: steel industry to comply

LDP announces poll reform plan

JAPAN'S Liberal Democratic party yesterday published proposals for electoral reforms after having lost its parliamentary majority in an election prompted because it refused to reform a scandal-prone electoral system, writes Robert Thomson in Tokyo.

The proposals by the LDP, which had ruled for four decades, are similar to those of the seven-party coalition government of Mr Morihiro Hosokawa, who wants a blend of single-seat constituencies and proportional representation to replace the present multi-seat constituency system.

However, the coalition wants 250 representatives to be chosen by each method for a total of 500 MPs in the lower house, compared with the present 511. The LDP suggests that 300 representatives come from the constituencies and 171 from proportional representation.

Another difference in the drafts is that the coalition supports a two-vote system, one for the constituency and one for proportional representation candidates, while the LDP wants only one vote, believing larger parties will profit from this system.

The LDP, along with the coalition, suggests that public subsidies be used to cover campaigning costs, though LDP members oppose a ban on corporate donations, which was initially promised by the coalition but is now under review.

Under the LDP proposal, each citizen will be asked to pay Y250 (£1.57), creating a pool of Y30bn (£188m) in election funds. The coalition has suggested that the charge be Y500, doubling the size of the pool.

The proposals will be debated at a parliamentary session expected to begin in the middle of this month. The LDP, which has been belligerent in opposition, is unlikely to give way easily to the Hosokawa coalition, knowing that the seven parties are yet to settle their own differences on the details of reform.

Zimbabwe steel plant may face closure

By Tony Hawkins in Harare

ZIMBABWE'S state-owned steelworks, the Zimbabwe Iron and Steel Company (Zisco), is threatened with closure for both financial and technical reasons. The more immediate challenge is financial.

Zisco, sub-Saharan Africa's largest steelworks outside South Africa, owes the government-controlled coal producer, Wankie Colliery, Z$78m (£8m) and the National Railways of Zimbabwe, also a parastatal, Z$100m. Wankie, which supplies Zisco with about 600,000 tonnes of coal a year, is refusing to supply any more, while the NRZ is demanding immediate payment of Z$25m.

Zisco has appealed to the government for help and was granted a subsidy of Z$100m in the 1993-94 budget, but this is inadequate to meet its existing debts, let alone fund its cash flow deficit.

One blast furnace, closed early this year for rebuilding, remains in limbo with no decision yet on how to finance the rehabilitation. The remaining furnace, which broke down temporarily last week, is unlikely to last much beyond the end of this year.

The plant is at present operating at about 35 per cent of capacity. The government wants to sell it but huge debts are likely to put off buyers.

Islam turns S E Asia's secular heads

Several violent incidents have served as a reminder of growing religious power, writes Victor Mallet

THE normally peaceful life of southern Thailand, where gilded Buddhist temples give way to the domes and minarets of mosques amid the rice fields and rubber plantations, has been rudely disrupted since the beginning of last month by a series of violent incidents.

They include an ambush that killed two soldiers, an attack on a train in which a woman died, the throwing of a grenade into a Buddhist temple and co-ordinated arson attempts on 35 schools.

There is no doubting the seriousness of the attacks, but there is little agreement about who is to blame.

Thai Moslems say at least some of the incidents have more to do with domestic Thai politics than with religion, but they have served as an unwelcome reminder to South-East Asia's secular governments of the growing power of Islam in the region.

The mood in Thailand's south, in the fundamentalist-led Malaysian state of Kelantan over the border and in the nearby Indonesian territory of Aceh give the lie to the conventional wisdom that South-East Asian Moslems practise a "milder" form of Islam than their co-religionists in the Middle East.

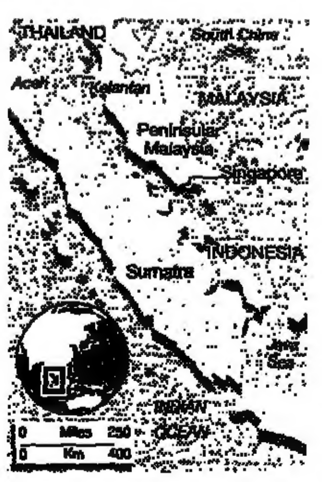
In reality South-East Asia's 200m Moslems are as diverse in their beliefs as Moslems are in the Arab world or Christians are in Europe.

South-East Asian Moslems include the mystics of Java, the Cham fisherfolk of Cambodia, and the Libyan-trained guerrillas of the Moro National Liberation Front in the southern Philippines. The largest populations are in Indonesia – the biggest Moslem country in the world – and Malaysia.

Government officials and businessmen have often said that Islamic fundamentalism in South-East Asia peaked at the time of the late Ayatollah Khomeini's control of Iran in the 1980s and has since declined under the influence of industrialisation and increasing wealth.

But Moslem radicals themselves – and their liberal and feminist opponents – disagree.

Some Moslems say that Islam is growing stronger because economic growth has benefited only a privileged minority, and because Islam is a peaceful force for democracy in conflict with autocratic governments. They deplore the impact of imported western television programmes on Moslem morals.



The killing of Moslems in Bosnia, the Israeli bombardment of Moslem villages in southern Lebanon, and the persecution of Moslems by the Burmese military government have also angered Asian Moslems.

"Islam is a growing strength in this part of the world because they [Moslems] were so frustrated with the past and present system that dominates them," said Mr Subky Abdul-Latif, an executive committee member of the Parti Islam se-Malaysia (PAS), the fundamentalist Malaysian opposition party. "Moslems are being suppressed all over the world."

PAS, which has controlled the state government of Kelantan on the Thai border in a coalition with another Malay party since the 1990 elections, is attempting to introduce sharia law for all the inhabitants of the state although this would appear to contravene the Malaysian constitution's guarantee of religious freedom.

Thai military officers have accused PAS of harbouring separatist guerrillas from Thailand in Kelantan. PAS says – ambiguously – that it respects the international border. "We don't want to interfere, but we don't want them to bully the Moslems there," said Mr Abdul-Latif.

Malaysia's neighbour Indonesia, meanwhile, has long used brutal methods in its attempts to suppress an Islamic separatist rebellion in Aceh on the northern tip of Sumatra. According to Amnesty International, the human rights group, Indonesian troops have summarily killed about 2,000 civilians there.

On the main Indonesian island of Java, Moslems attacked several Christian churches and homes in November and December last year, apparently in response to a rise in Christian fundamentalist proselytising.

The Indonesian and Malaysian governments, perceiving the growth of Islamic influence, have – at the same time as trying to crush their opponents or defeat them politically – attempted to co-opt fundamentalist Moslems by becoming more Islamic themselves.

President Suharto of Indonesia and Dr Mahathir Mohamad, the Malaysian prime minister, have each established Moslem organisations to promote Islam as something compatible with the technological, social and economic development they are pursuing.

Both governments are encouraging the development of "interest-free" Islamic banking in parallel with conventional banking practices. Only last month, Malaysian officials said they expected all financial institutions in the country to offer some kind of Islamic service within a year.

In Kuala Lumpur these days, it is more common than it used to be to see women wearing Islamic headgear covering their hair and shoulders. Malaysian Moslems can be, and occasionally are, punished under state *sharia* laws for drinking alcohol or for being in close company with someone of the opposite sex (excluding relatives); even government officials opposed to PAS say they want to increase the authority of the *sharia* courts.

The Malaysian capital is still a lively, cosmopolitan city, but some middle-class Moslems, not to mention the minority Christians of ethnic Chinese origin, are worried by what they see as an emerging mood of Islamic orthodoxy.

Although there is little sign of separatist fervour among Thai Moslems, who are the majority in the south but make up only 4 per cent of Thailand's population, they resent what they regard as Buddhist domination of their lives, especially in education.

Islam has grown stronger over the last decade, and devout Thai Moslems say they want primary as well as secondary school girl pupils to wear the modest attire known as *hijab*. They would like an end to compulsory Thai dancing lessons and factory workers to be allowed time off to pray. And they say Moslems should have the chance to use Islamic financial institutions.

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Zimbabwe steel plant may face closure

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Victor Mallet

Chile shelves bill on civil rights abuses

By David Pilling in Santiago

THE Chilean government has effectively abandoned its attempt to resolve the nagging issue of human rights abuses during the previous military regime, after serious splits emerged within the governing Concertación coalition.

The government has removed the "fast-track" status of a bill aimed at speeding up human rights trials, making it unlikely the bill will be passed before December's presidential elections. The original aim had been to pass the bill early this month.

The move will be seen as a political defeat for President Patricio Aylwin, who only last month presented the bill to the nation in an emotional address. It also threatens to destabilise the electoral campaign of the Christian Democrat-dominated Concertación.

The main sticking point of the "Aylwin law" was the stipulation that trials of officials accused of human rights abuses during the military government of General Augusto Pinochet be held in secret. The purpose of the secrecy was to persuade military officials to present fresh evidence which might help to locate the bodies of "disappeared" people.

Around 200 human rights trials are currently bogged down in Chile's courts. In most cases there is no intention of punishing military officials, who are protected by an amnesty promulgated in 1978.

Last month, the secrecy clause of the bill was thrown out by the chamber of deputies after left-wing members of Concertación, principally the Socialist party and the Party for Democracy, voted against it. Mr Aylwin, who argues that the law is unworkable without secret trials, has since desperately attempted to persuade his coalition to reinstate the clause in the senate.

Yesterday's announcement, which effectively kills off the bill, demonstrates that the president was unable to forge such an agreement. The result is likely to be that the human rights issue, which has dogged civilian-military relations since the handover to democracy in 1990, will continue to fester. Trials will proceed at a snail's pace and it will be up to the new president to try to bring the issue to a close.

Californian exodus

THE state of California, a magnet for immigrants since the days of the gold rush, is experiencing an unprecedented exodus of residents leaving for other parts of the US, writes Louise Kehoe in San Francisco.

Job losses as a result of defence cuts are the driving force behind the population shift, state officials said in a report published this week by the state Department of Finance. Most of those leaving the state are from Southern California. According to the report as many as 600,000 people moved from California, during the fiscal year ending June 30, producing a net loss of 150,000 residents in the state.

"The economy is the driving force in these losses," said Ms Mary Heim, a Department of Finance demographer. California lost almost 200,000 jobs in the last fiscal year, according to independent researchers.

Domestic immigration is also down by 15 per cent in 1993, compared to 1992.

However, California's population is expected to continue to grow as a result of births and immigration from other countries. At least 200,000 legal immigrants are expected this year, plus an estimated 100,000 illegal immigrants.

Factory orders decline sharply in July

ORDERS received by US factories fell in July at the sharpest rate for more than 1½ years, the Commerce Department announced yesterday, Reuter reports from Washington. The principal reason was a fall-off in demand for cars, aircraft and railway equipment.

The 2.1 per cent decline, to a seasonally adjusted $250.15bn, followed a revised 2.9 per cent gain for June. Wall Street economists had been expecting a 1.7 per cent drop. It was the sharpest decrease since the 3.6 per cent in December 1991, department officials said.

Excluding transport goods, factory orders in July rose by 0.2 per cent after a 1.2 per cent increase in June.

The Commerce Department reported on August 25 that orders for long-lasting durable goods, which account for about half of total factory business, dropped sharply in July by 3.8 per cent. It revised that in the orders report to 3.1 per cent. But orders for non-durable goods also fell in July, down 1 per cent after rising 1.4 per cent in June.

On Wednesday, the National Association of Purchasing Management said its monthly survey of corporate purchasing executives showed the manufacturing sector declined in August, the third monthly contraction in a row.

Consumers still lack confidence in the economy's direction, surveys indicate. This is reflected in a softening of car and retail sales as well as a relatively tepid pace of new-home sales despite the cheapest interest rates in decades.

The Clinton administration on Wednesday cut its own estimate of expected growth in total goods and services output this year to 2 per cent from 3.1 per cent projected last April.

During the second quarter this year, gross domestic product expanded at an annual rate of only 1.8 per cent after rising by 0.8 per cent in the first three months.

No red carpet to roll for Aristide

Many Haitians are unenthused about president's return, writes Canute James

HAITI'S new prime minister, Mr Robert Malval, plans to have his government in place by the end of this week, marking another significant step towards ending the two-year political crisis which began with the overthrow and exile of President Jean-Bertrand Aristide.

However, there has been obvious reluctance on the part of Haiti's legislators, military and supporters of the coup, to implement the UN-brokered agreement preparing the way for the president's return on October 30. They have been prodded by international pressure in a direction in which they do not want to go, and rewarded by the lifting of an economic embargo which has crippled the already impoverished country.

This obvious lack of enthusiasm, and the delicate nature of the remaining arrangements for the president's return, will make the next eight weeks a testing time for the new prime minister and the exiled president. Mr Aristide, who was clearly uncomfortable with parts of the agreement, will have to walk through a political quagmire which will test his so far unproven skills in statecraft and diplomacy.

Mr Aristide will have his so far unproven skills in statecraft and diplomacy severely tested

Reuter

There are sufficient people in Haiti with a strong enough dislike for the president to make his stay in office uncomfortable. There are rogue elements in the military which are out of the current leadership's control, and which will hardly want to take orders from any new commander which the civilian government will appoint. They have been unhappy with the agreement reached by Mr Aristide and General Raoul Cedras, who is stepping down as the head of the army. They claim the accord has given the general a safe escape from the problem.

Their dislike for President Aristide is hardly likely to be tempered by assurances that there will be no victimisation after his return. The UN agreement cannot speak for Mr Aristide's supporters, angry at the coup and the military's subsequent record of repression and murder. Several military officers appear convinced that despite all the undertakings, and the promised protection by an international force, the president will act against them. Similar fears are shared by affluent Haitians who supported the coup and denounced the president.

Violence, either state-sponsored or popular, has never been far below the surface in Haiti. The Inter-American Human Rights Commission reported last week that at least 50 people had been killed since the agreement in July, and about 1,500 since the coup. The leaders of the coup may have good reason to be worried about their safety when civilian rule returns.

There will also be increasing concern on the part of those military officers who have benefited from the use of Haiti for transshipping narcotics from South to North America, and who will consider their business threatened. Diplomats in Port-au-Prince, Haiti's capital, have said repeatedly that the anti-Aristide sentiment can be marshalled effectively and viciously by Lt Col Michel François, the chief of the police force which is a part of the army, and who engineered the coup before handing over to Gen Cedras.

The ranks of Mr Aristide's opponents have been increased by a resurgence of the *Tontons macoutes*, the feared and ruthless praetorian guard of the Duvalier dynasty. Mr Evans Nicolas, the self-styled leader of the revived *macoutes*, said he and his faction were ready for "civil war" to thwart the return of the president. His support is significant in rural Haiti where the military has tolerated the establishment of virtual fiefdoms by the *macoutes*, who are collecting taxes and responding brutally to any signs of support for Mr Aristide.

There is little love lost between Mr Aristide and the Roman Catholic Church. Cardinal Nicolas Lopez Rodriguez, president of the Latin American Episcopal Council, said recently that the United Nations had "blundered" in reinstating Mr Aristide, whom he described as being "inexperienced in state affairs, insensitive and incompetent".

Behind the considerable and influential efforts of the United States to have the coup overturned and Mr Aristide returned to the presidential palace, there is latent concern in Washington about the president's willingness, or his ability, to try to curb his more zealous supporters who might want to have a go at his detractors. The 1991 coup was preceded by charges from opposition groups – and which were apparently convincing to some US legislators – that Mr Aristide was actively inciting his supporters to violence.

The difficulties which threaten an orderly return of the president were apparent to Mr Dante Caputo, the UN envoy who guided the negotiations. "In a country which has had very short periods of democracy," he concluded when the negotiations ended, "it is very difficult for different political parties to believe that the words that are said in the paper are going to be respected."

Call for Guatemalan congress to resign

By Edward Orlebar in Guatemala City

GUATEMALA'S President Ramiro de Leon is winning increasing support for his call for the resignation of all 116 members of congress and supreme court magistrates.

The President's move followed weeks of criticism in the media and among civil organisations which have called for a purge of both organisations, widely believed to be riddled with corruption. Union leaders and indigenous groups have backed the President this week.

So far about 70 congressmen have offered their resignations, mostly to the Instancia Nacional de Consenso, an umbrella group of civic organisations which was instrumental in restoring democratic government after former president Jorge Serrano's failed attempt to seize authoritarian powers in May.

Mr de Leon, formerly Guatemala's highly respected and combative human rights ombudsman, was elected by congress on June 6, following the constitutional crisis triggered by Mr Serrano's attempted takeover.

However, Mr de Leon is taking a gamble that popular support will force congress to resign. He has threatened a referendum on the issue if congressmen do not stand down. The vote could not be held before November, and the delay would undermine the President's ability to push through legislation.

"If he gets the active support of the people he may succeed," says Mr Emilio Arroyave, a political analyst at Asies, a local think tank. "If not we will have a serious confrontation on our hands which could undermine the President."

Mr de Leon called his attempt to clean up congress and the courts "a national crusade against impunity and corruption in response to popular clamour," in a recent televised address.

NEWS: WORLD TRADE

Japan cautious on China slowdown

Robert Thomson on Japanese companies' views of Beijing's economic cold bath

WHEN the Chinese government has thrown water on an overheated economy, Japanese companies have generally been drenched. Imports have suddenly stopped, loan repayments have slowed, and even technology transfers to large state projects, such as the giant Baoshan steel mill, near Shanghai, have been halted or delayed.

The current attempt to calm the Chinese economy is part of a cycle of surge and slowdown during 15 years of reform, but Japanese companies expect fewer bruises this time around. They say Beijing is more sophisticated in handling economic policy and has less control over ambitious provincial governments, which are some of Japan's best customers.

"I think the Chinese government has understood that it made mistakes in the past. We are fortunate that [vice premier] Zhu Rongji is in charge of economic policy. His character is different from past leaders'. He understands how an economy works," said Mr Kenji Hattori, planning manager at the the semi-governmental Japan-China Association for Economy and Trade.

Mr Zhu took control of economic policy in early July, lifting interest rates and attempting to slow an economy expanding more rapidly than the frenetic 13 per cent of last year. The first sign for Japanese companies was an increase in Chinese customers unable to raise finance, and a slowing of orders after a 51.2 per cent increase in exports during the first half.

Japanese banks are concerned that their enthusiasm for China could have prompted lending to projects viable during the good times but vulnerable to failure if Beijing turns off the flow of foreign exchange. The banks, burdened by bad loans from their own "bubble" era during the late 1980s, were reluctant to lend to international companies and even to domestic clients, but remained keen to find new customers in China.

"There was a real sense earlier this year that China had entered a period of endless rapid growth. I think there may be some losses, some cancelled contracts," an executive at a Japanese commercial bank said.

With consumer spending and capital investment falling at home, Japanese manufacturers were delighted to find free-spending consumers and officials in China taking some of their excess production over the past two years. An official at the Japan Association of Corporate Executives suggested that the weak Japanese economy would be even weaker without demand from China, particularly for consumer electronics, steel and cars.

Japan's steel industry is anxious about twists and turns in China's economic policies. In 1989, during another slowdown, Chinese buyers cancelled orders, and a decade earlier, plant contracts for the Baoshan steel mill in Shanghai were put on hold by a Chinese government short of hard currency.

In the last year, demand was strong for steel used in construction, and Japanese manufacturers fear that Beijing's new controls on funds will slow the development projects and steel exports, which doubled in the first half of this year. However, orders within Japan fell 5.3 per cent during the same period.

Trevor Humphries

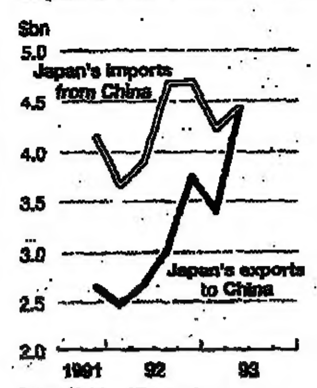
Zhu Rongji: "understands how an economy works"

Nippon Steel, the country's largest steel maker, said a fall in sales was inevitable, but demand in the past two years had been "unusually high". In the longer term, the company said, exports to China should remain steady, although it was difficult to forecast demand for late this year and next year.

Japanese car makers have had a similar experience, declining demand at home and an eightfold increase in passenger car exports to China in the first half. In June, exports to China were 94 per cent higher than a year earlier, but in July the year-on-year increase was a relatively modest 54 per cent. Exports to Europe during the same month were down 32 per cent.

The car makers are most concerned about a suspension of imported car purchases by Chinese government agencies for the rest of this year. But they draw comfort from the apparent difficulty Beijing will have in policing this edict, particularly in southern China.

Japan's trade with China



Source: Ministry of Finance, Japan

NEC, the electronics company, said its sales would be generally unaffected because a large share of orders was for state-sponsored infrastructure projects likely to be given priority by Beijing.

But attempts to control growth have yet to slow Japanese investment, which Mr Hattori expects will almost double from the $1.1bn in the year to last March. The confidence in longer-term growth, he said, and the belief that local production provided the best access to the China market, would encourage companies to expand investment.

"There will be a big delegation of Japanese automobile companies going to China later this year, companies like Toyota, Nissan and Honda," Mr Hattori said. "They can see foreign car makers have already invested, and they want to research investment possibilities."

Bangkok motorway opens in spite of dispute

By Victor Mallet in Bangkok

THE Thai government yesterday opened a $1bn elevated toll road in Bangkok, despite complaints by the Japanese-led consortium which built it that a dispute over the contract was unresolved.

Mr Chuan Leekpai, prime minister, declined to open the 28km road himself, apparently aware that foreign investors and bankers are concerned about the way the government has summarily overruled the objections of the Bangkok Expressway Company (BECL) consortium.

His place was taken by Mr Chaowas Sudlabha, deputy interior minister, who maintained that the state-owned Expressway and Rapid Transit Authority (ETA) had "fully followed" the contract.

The government's critics, however, claim that the ETA has opened the road hastily in an attempt to win public acclaim for the authorities by alleviating Bangkok's increasingly nightmarish traffic jams.

The ETA this week won a court order for the immediate opening of the completed stretch of motorway after warning of possible violence by frustrated drivers.

Many Bangkok residents were delighted but investors and bankers were enraged by what they regard as bullying tactics and said international financing for some $30bn of planned Thai infrastructure projects would be jeopardised.

BECL, led by Kumagai Gumi, has accused the ETA of breaching the contract on several counts. Yesterday it described the opening of the road, known as the second-stage expressway, as premature and said there was "a real danger to public safety" because construction work has not been completed.

In a statement, BECL's management said the company and the project had been left "in an extremely uncertain and precarious position".

Declining US surplus fuels Nafta debate

By Nancy Dunne in Washington

THE declining US trade surplus with Mexico has become a significant element of the debate over the North American Free Trade Agreement, linking the US, Mexico and Canada.

Last year the US manufacturing trade surplus to Mexico rose to $7.5bn, a feat President Bill Clinton and other Nafta proponents cite as proof that North American trade has already created thousands of jobs. But the growth of US sales to Mexico is slowing. The trade surplus has declined from $380m in January to $120m in June as Mexico sinks towards recession.

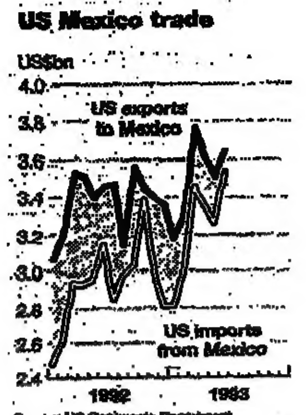
To Ms Thea Lee, an economist in the labour-supported Economic Policy Institute, the trend is "going the way we predicted; exports are rising but imports are rising faster". Ultimately, she contends, the trade surplus will be in Mexico's favour, and the US will lose 550,000 jobs.

Mr Manuel Suarez-Mier, a visiting fellow at the Georgetown School of Business Administration, believes nervousness over Nafta's prospects in Congress has contributed to the the stagnant trade picture. The slowdown in the Mexican economy is a consequence of high interest rates, in place partly to control inflation and partly to offset the "Nafta jitters" in a securities market worried that Congress will damage the trade pact.

But powerful Nafta opponents – followers of Mr Ross Perot, the populist billionaire, labour and many environmentalists – paint a depressing picture of the US-Mexican trade relationship. In his new anti-Nafta book, Mr Perot points out that $15.5bn of last year's $40.6bn US exports to Mexico was capital goods. This, he asserts to the uninitiated, means factories.

"When Smith Corona closed its typewriter factory in Cortland, New York, last year and shipped its manufacturing equipment to Tijuana, Mexico, the transfer of equipment counted as an 'export' from the US," he says. "At this rate, the US will go bankrupt running up trade surpluses."

US Mexico trade



Source: US Commerce Department

He labels "a myth" the administration's contention that Nafta will create a vast, lucrative new market. "The United States is the market," he says. "Mexican consumers do not have the money to buy American or Canadian exports."

At the Commerce Department's Mexico Office, where US-Mexico trade is analysed, the US trade surplus slowdown is seen as "a temporary pause", due to slower growth in the Mexican economy and lower demand for imports.

Ms Regina Vargo, the office's director, says Mr Perot is purveying myths of his own. The US ships a lot of capital goods to Mexico, because that is what it produces competitively, she says. Capital goods comprise 40 per cent of US exports worldwide, but only 33 per cent of US exports to Mexico.

What has been growing are sales of consumer goods. Giant US retailers are undergoing an "enormous expansion" and helping to renovate Mexico's retail sector. The average Japanese last year spent $47 on US consumer products. The average Mexican spent $49 – spurring sales of US-made textiles, clothing, carpets, furniture, musical instruments and sporting goods.

Sony to make video cameras in China

By Tony Walker in Beijing

SONY Corporation, the Japanese electronics giant, is to set up its first joint venture in China to make video cameras this month, under an agreement with the Shanghai Video & Audio Electronics Co (SVA).

Sony, which has been a somewhat reluctant investor in China, will provide 70 per cent of the total $5m investment in the new Shanghai Suoguang Electronics Company. SVA will be responsible for the rest.

Production will begin in November.

The new company plans to produce 150,000 8mm video cameras annually. It will also turn out components for video tape recorders.

Turkey-Libya oil-for-debt swap

By John Murray Brown in Ankara

TURKEY and Libya have agreed an oil-for-debts swap to settle the $600m owed to Turkish contractors. The deal, signed after joint talks in Ankara, ends more than three years of negotiations on Libyan payment defaults to 35 Turkish companies.

The debts relate to business won in the early 1980s when Turkish contractors concluded deals worth around $10bn building infrastructure for the Libyan oil industry.

The oil-for-debts accord envisages delivery of 30,000 barrels a day, which at current prices would settle the $200m of debts agreed with the Libyan Treasury, in around 12 months. An additional $250m is owed to companies, but not yet agreed with the Libyans. Turkish companies will also receive 40 per cent of the project value in local Libyan currency.

Mr Barlas Turan, head of the contractors' union, said it would be a boost to Libyan trade where Turkish contractors still have around $1.5bn of continuing business. There was an undertaking to consider increasing the shipments after 12 months.

The oil will be delivered to Tupras, Turkey's state-owned refinery at Izmit.

LEGAL NOTICES

No. 005938 of 1993
In the High Court of Justice
Chancery Division

IN THE MATTER OF
THAMES TELEVISION PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 28th July 1993 confirming the reduction of the share premium account by £2,239,123.50 and the reduction of the capital of the above named Company from £16,250,000 to £3,250,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on 31st August 1993.

Slaughter & May, (RLH)
35, Basinghall Street,
London, EC2V 5DB
Solicitors for the above named Company

No. 006243 of 1993
In the High Court of Justice
Chancery Division

IN THE MATTER OF
PRINCEDALE GROUP PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 28th July 1993 confirming the cancellation of the share premium account of the above-named Company of £3,386,739 as required by the above mentioned Act was registered by the Registrar of Companies on 11th August 1993.

Dated this 1st day of September 1993
Wedlake Bell
16 Bedford Street
Covent Garden
London WC2E 9HF
Solicitors for the above-named Company.

THE INSOLVENCY ACT 1986
CURRAGH LIMITED formerly
GROVESTRAND LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held at 186 City Road, London EC1V 2NU on 10 September 1993 at 11.00am for the purposes mentioned in Section 99 and 100 of the said Act.

Creditors wishing to vote at the meeting must lodge a proxy, together with a statement of their debt, at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU not later than 12.00 noon on 9 September 1993.

A list of the names and addresses of the company's creditors will be available for inspection, free of charge, at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU on 8 and 9 September 1993, between the hours of 10.00 and 16.00 hours.

Dated this 20th day of August 1993
Draycliffe Company Services Limited
Secretary

No. 007440 of 1993
In the High Court of Justice
Chancery Division
Mr Registrar Pleas

IN THE MATTER OF
THE MANCHESTER SHIP COMPANY
and
IN THE MATTER OF
THE COMPANIES ACT 1985
NOTICE OF MEETINGS

NOTICE IS HEREBY GIVEN that, by an Order dated the 27th day of August 1993 made in the above matters, the Court has directed separate Meetings to be convened of the holders of (i) the Scheme Ordinary Shares; and (ii) the Scheme Preference Shares as respectively defined in the Scheme of Arrangement hereinafter mentioned, for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement proposed to be made between the above-named company ("the Company") and the holders of the Scheme Ordinary Shares and the Scheme Preference Shares and that such Meetings will be held at the Lesser Free Trade Hall, Peter Street, Manchester on the 21st day of September, 1993 at the respective times mentioned below:

(i) the Meeting of the holders of the Scheme Ordinary Shares at 11.30 am;

(ii) the Meeting of the holders of Scheme Preference Shares at 11.45 am or as soon thereafter as the preceding Meeting shall have been concluded or adjourned;

at which place and respective times all such shareholders are requested to attend.

Copies of the said Scheme of Arrangement, together with the Form of Election referred to therein, forms of proxy and copies of the statement required to be furnished pursuant to Section 426 of the above mentioned Act can be obtained at the principal office of the Company and at the offices of its solicitors. The principal office of the Company is at Quay West, Trafford Wharf Road, Manchester, M17 1HH.

The said shareholders may vote in person at such of the said Meetings as they are entitled to attend or they may appoint another person, whether a shareholder of the Company or not, as their proxy to attend and vote in their stead.

A form of proxy for use at each of the Meetings is available as stated above.

In the case of joint holders of either class of share the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the Register of Shareholders.

It is requested that forms appointing proxies be lodged at the Company's registrar, KPMG Peat Marwick, Freepost, Stoke-on-Trent, Staffs ST1 5BR, not less than 48 hours before the respective times appointed for the said Meetings, but if forms are not so lodged they may be handed to the Chairman of the Meeting at the Meeting at which they are to be used.

By the said Order the Court has appointed Sir Peter Lazarus or failing him J B Clifton Esq or failing him Councillor G E Stringer to act as Chairman at each of the meetings and has directed the Chairman to report the results thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the Court.

DATED 1st September, 1993

Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London EC2A 2HA
Solicitors to the Company

No. 006329 of 1993
In the High Court of Justice
Chancery Division

IN THE MATTER OF
THE INDEPENDENT INVESTMENT COMPANY PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 19th August 1993 presented to Her Majesty's High Court of Justice for

a) the sanctioning of a Scheme of Arrangement; and b) the confirmation of the Reduction of the Capital of the above-named Company by cancelling shares of the said Company in accordance with the terms of the said scheme of Arrangement.

AND NOTICE IS FURTHER given that the said Petition is directed to be heard before The Honourable Mr Justice Chadwick at the Royal Courts of Justice, Strand, London on Wednesday the 15th September 1993.

Any creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said Reduction of Capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED the 1st day of September 1993
Slaughter and May, (RLH)
35, Basinghall Street,
London, EC2V 5DB

MEMORIAL SERVICES

BARRY MILNER-SMITH
1947-1993

Memorial Service at 12 noon on 13th September 1993 at St James Garlickhythe London EC4

Donations to:
Friends of the Radiotherapy Unit, St Marys Hospital, Portsmouth

NEWS: UK

Spending by consumers shows growth

By Guy de Jonquières, Consumer Industries Editor

SPENDING BY consumers – particularly on leisure and travel – appears to have increased more strongly last year than previously believed.

The latest annual survey of family expenditure by the Central Statistical Office finds that spending by the average household grew by 5.8 per cent to £271.83 a week, faster than the 3.7 per cent rise in the retail price index last year.

The increase, which follows a 1 per cent drop in the real value of household spending in 1991, far outstripped the 1.4 per cent growth in average gross family income to £343 per week last year. In 1991, family income rose 4.8 per cent.

The fastest growth in spending last year was for fares and travel, which increased 29 per cent to £7.20 a week. Some of that may have been due to higher public transport charges. The next-largest rise, 24 per cent, was for leisure services such as holidays, hotels, sports events and theatres, on which the average household spent £27.56 a week. However, spending on cinema admissions declined, apparently reflecting the continued growth in the popularity of home video entertainment.

The proportion of households receiving cable television increased to 9 per cent from 6 per cent in 1991, while 69 per cent own video recorders, up from 65 per cent. Home computer ownership rose slightly to almost one in five households.

But the survey found evidence of cuts on other types of non-essential spending, often by more affluent families.

Households with weekly incomes of more than £800 – the wealthiest 10 per cent of the population – reduced their alcoholic drinks bill from £27.99 to £25.73 a week.

The number of households with second homes also fell slightly from the previous year.

By contrast, spending on household goods, notably furniture and soft furnishings, rose sharply in both the highest and the lowest income groups.

Feasting on tempura and computer games

By Neil Buckley

IT IS not just a range of products from octopus tempura to kimonos that sets apart the Yaohan Plaza, the first Japanese shopping centre in Europe, from home-grown competitors. An official opening ceremony will be held today at the centre in north-west London.

The Yaohan Corporation, which built the £50m centre, claims its business is underpinned by philosophical teachings. Mr Kazuo Wada, its chairman, is an adherent of Seicho no ie, or the Human Enlightenment Movement, which espouses beliefs combining elements of Buddhism, Christianity and Shintoism. Yaohan's mission is "to serve customers all over the world with gratitude".

It certainly intends to serve London shoppers with products they may never have seen before. One part of the complex is a 60,000 sq ft retail development (about the size of the biggest UK food superstores) operated by Yaohan itself. That development includes a complete Japanese supermarket and a 200-seat oriental food court.

For UK customers not sure what to do with such traditional Japanese foods as miso, there are recipe cards in English, and there will be regular classes in Japanese cuisine.

About 70 per cent of goods will be flown in from Japan, although some Japanese vegetables may eventually be grown under contract in Europe.

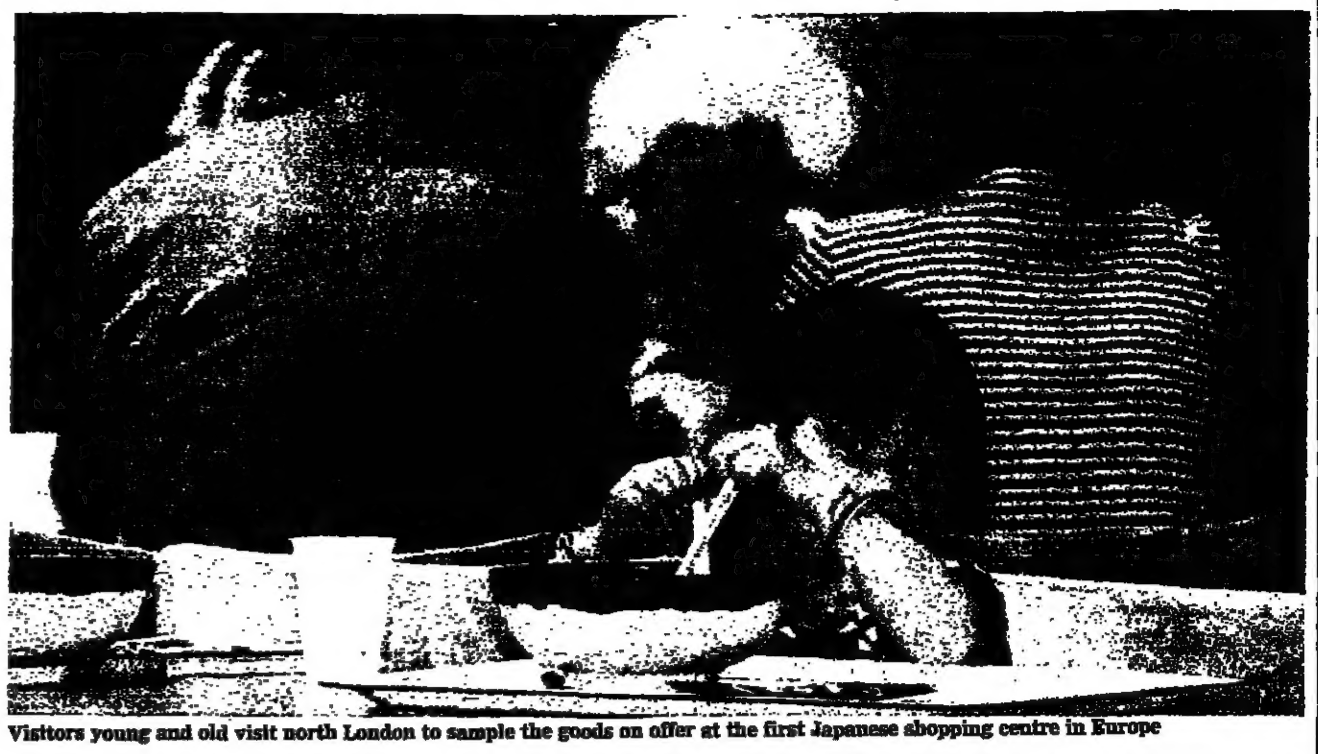
The other part of the complex is a 82,000 sq ft mall with units rented out to tenants including Japanese bookshops, travel agencies, a beauty parlour and optician, a London-Tokyo property agency and the UK's biggest computer game centre, operated by Sega.

Yaohan's main target is London's 30,000-strong Japanese population. Mr Toshio Tajima, UK managing director, says research has shown there are 10,000 Japanese families in its target area, each spending about £3,000 a year on groceries.

Yaohan aims to pick up 50 per cent of that spending in its supermarket – a total of £15m a year. It also expects to pick up a fifth of the estimated £30m spent on groceries by London's other Asian and Far Eastern communities, or £6m. The shopping mall is forecast to have an annual turnover of £19m, making £40m for the whole complex.

But the company hopes to attract not just the oriental population. "We do see ourselves as ambassadors," Mr Tajima says. "We want to introduce Japanese culture to local residents - starting with food."

Yaohan began in 1930, supplying hotels in the resort town of Atami, near Tokyo. It started retailing in 1956 and has since spread to Singapore and the US.



Visitors young and old visit north London to sample the goods on offer at the first Japanese shopping centre in Europe

Cellnet to cut prices in London region

By Andrew Adonis

CELLNET, the mobile phone operator owned jointly by British Telecommunications and Securicor, will cut its prices in the London area from next month in an effort to contain competition from rivals Vodafone and One-2-One, the new cellular network about to be launched by Mercury Communications and US West.

One-2-One's service will initially be available only within the M25 area.

Cellnet intends to cut the price of calls made in the London area by up to 39 per cent for cellular users who sign up to a new tariff package called Citytime. This will offer cheaper calls in the M25 area in return for a large premium on calls made outside the zone.

The new tariff is a direct response to new cellular services about to be launched by Vodafone and Mercury One-2-One.

Cellnet's Citytime call tariff will be higher than One-2-One's (20p a minute against 18p a minute) even after the reductions, but handsets for the Cellnet system will cost about £100 against £250 to £300.

Murdoch scorns attack from rival

By Raymond Snoddy

MR RUPERT Murdoch, chairman of News Corporation, last night responded to a bitter personal attack by The Independent newspaper on his plan to cut the price of The Times from 45p to 30p on weekdays.

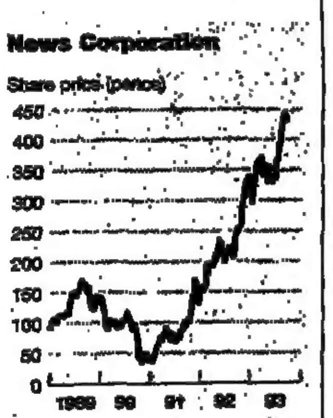
The Independent changed its front page yesterday to accuse Mr Murdoch of trying to "drive this newspaper, The Independent, and The Independent on Sunday out of business.

"Without any new editorial ideas and without any belief in the Times as a newspaper, Murdoch has decided to crush his nearest rival with the power of money," said the editorial, which must have been sanctioned by Mr Andreas Whittam Smith, the paper's editor and main founder.

The paper said Mr Murdoch knew The Independent was at "a turning point with advertising starting to pick up after three years of deep recession".

Mr Murdoch said last night: "I think it's a bit rich of Andreas Whittam Smith, particularly when he was only able to launch his paper because of what we did at Wapping. He also closed the Sunday Correspondent and tried to do the same to The Observer."

Mr Joe Cooke, managing director of The Telegraph group described the cut at The Times as "the last gasp of a failed editorial policy".



Source: Datastream

Tories to privatise 10 more prisons

By John Willman, Public Policy Editor

A FURTHER 10 prisons in England and Wales are to be run by the private sector to complete the first phase of the government's privatisation programme, Mr Michael Howard, home secretary, announced yesterday.

With two prisons privately managed already, this would bring to 12 the number of prisons run by the private sector. Prisons of all types – including maximum security prisons holding terrorists – will be included.

Mr Howard said his aim in the first phase was to have around 10 per cent of the 132 prisons run by private companies. This would create a viable private sector of three or four companies competing with directly managed establishments.

The government is also to investigate using private finance to build new prisons. The Prison Service will invite bids from the private sector to finance, design, build and manage one prison in north-west England and another in south Wales. This will be one of the first fruits of the initiative launched last year to attract private capital for public projects.

The announcement drew renewed attacks from the opposition, prison staff and penal reformers. Mr Tony Blair, the opposition Labour party's spokesman on home affairs, described the plans as "a diversion of time and energy from the real task of penal reform and fighting crime".

The Prison Officers Association, the trade union which represents more than 25,000 officers, warned of possible industrial action because of overcrowding and inadequate staff as a result of government policies. One action being considered is to refuse to accept new inmates into prisons, forcing their detention in police cells.

20% of workers exceed 48 hours

By Lisa Wood, Labour Staff

MORE THAN 5m people, amounting to a fifth of all men and women in employment in the UK, work more than 48 hours a week, says research published yesterday by the UK government.

This ranks the UK third after Greece and the Republic of Ireland in a European Community league table according to a report in the UK employment department's journal Employment Gazette.

The department is challenging in the European Court the proposed EC working-time directive which recommends that employees should work a maximum of 48 hours a week.

The research in the Gazette shows that in all EC countries except the UK most of those working more than 48 hours are self-employed or family workers. In the UK, 70 per cent of the 5.2m who work more than 48 hours a week are employees.

In general self-employment and family work are strongly affected by the relative size of the agricultural sector, says the Gazette. In countries where agriculture accounts for a relatively high share of employment – such as Greece, Portugal, the Republic of Ireland, Spain and Italy – there were relatively high proportions of self-employed.

The Gazette says that only employees working more than 48 hours a week would be affected by any EC-wide regulations on maximum working hours. "Hence the disproportionate effect on countries [such as the UK] where the bulk of long-hours working is among employees."

Grain harvest will be 5% down, says Dalgety

By Deborah Hargreaves

UK FARMERS could be reaping 5 per cent less cereal in this year's harvest compared with last year, but their optimism is undented after an improvement in incomes for the first time in four years.

Returns to UK farmers are expected to be higher this year in spite of a slightly worse harvest than expected, according to estimates by Dalgety Agriculture. The lower value of the pound has made crops more competitive overseas.

Sterling's exit from the European exchange rate mechanism and the consequent fall in the value of the pound meant an additional £135m in European Community support payments for UK farmers in the final quarter of last year.

"There's a mood of general relief that we've bottomed out of the downward spiral," said Mr Rad Thomas who has a 400-acre arable farm in the east Midlands.

"Before anyone starts saying farmers are seeing a big rise in income, you've got to remember that we've come from the lowest base since the 1930s depression and if we hadn't had this increase, a lot of farms would have gone under," he said.

Mr David Naish, president of the National Farmers' Union of England and Wales, said the devaluation of sterling had given farmers a short breathing space. "Most sectors have the opportunity to be profitable this year and these were in deep trouble last year." But farmers are under pressure to cut costs and many are still giving up – the NFU estimates that about 20 people leave the land each day.

Mr Adrian Peck, who employs two men on his 1,000-acre arable farm in Cambridgeshire, does not look forward to cutting costs any further. "If I have to cut back on machinery and labour costs, I've just got to make my fields bigger and that's a prospect that horrifies me. I'd become a prairie-farmer because that's the only way to cut manpower costs."

Nevertheless, Mr Peck is looking to buy a new tractor this year following three years when he did not invest in any machinery.

CONFERENCE OF THE BRITISH ASSOCIATION FOR THE ADVANCEMENT OF SCIENCE

Real work in a virtual office

By Nuala Moran

VIRTUAL-REALITY technology is being applied to solve the problem of making people who work from home feel more closely in touch with their office in a government-funded £3m project to be launched next month.

The Virtuosi project, disclosed at the association's conference yesterday, will develop sophisticated computer displays that give remote workers the illusion that they are in the office, working alongside other homeworkers and interacting as if they are face-to-face.

The three-year project will be headed by British Telecommunications and supported by the Department of Trade and Industry, Science and Engineering Research Council, GEC and Division, a specialist virtual reality company. The project is due to start next month.

The programme is believed to be the first systematic effort to apply virtual reality to a business environment. It could spell the beginning of the end for expensive corporate headquarters, according to Mr Alastair Rogers, a researcher with the project at BT's Martlesham laboratories in eastern England. "Virtual reality offers the most intimate and direct method of interacting with a computer, and hence with the users of other computers," he said.

Computer networks already allow people at different sites to work together, but they severely limit human interactions.

Staff who work remotely often become disenchanted because they feel socially deprived and isolated. For example, BT's recent homeworking experiments in Scotland have resulted in their Directory Enquiry operators being equipped with videophones, not directly to support their work but to reduce their sense of isolation.

Users sitting at a virtual reality screen will see themselves in an office with colleagues. They will be able to move themselves around the virtual space, to interact and talk to different people.

The input device could be a simple as a mouse or it could be "data suit" - a futuristic style of overall which picks up every movement of the user and would convey all the subtleties of body language and facial expression to colleagues.

With an advanced virtual reality system, the corporation could cease to exist as a physical entity. Employees could work entirely from home, conducting business in a corporate "virtual environment".

Consultants or individuals with specialised skills could link their personal virtual working environments with a corporate environment for the period of a short-term contract.

In professions where the office is not the main focus of work, different types of virtual reality could be designed.

Tim Shilton: "The standard of policing in rural areas is very high. The level of policing is non-existent"

Rural life behind bullet-proof glass

Chris Tighe *is told of worries about crime and police reform*

WITH ITS mellow stone buildings, immaculate floral displays and traditional shops, the village of Rothbury in Northumberland, England's northernmost county, looks like an oasis in a country troubled by crime.

Looks deceive. Even before last week's raid on Rothbury's Post Office, when masked men cut telephone lines to nearby homes and escaped with a safe containing £24,000, the picturesque village was not immune to crime.

Police and public attitudes to policing and the Sheehy reform proposals are coloured in Rothbury by two geographical facts: the vastness of rural Northumberland in relation to police numbers, and its relative easy access for urban criminals.

Detective Inspector John Hope, based 12 miles away at Alnwick, estimates that half the burglaries in rural Northumberland are committed by criminals travelling to the area.

"They say they've got it so tight in the cities, they're coming out here," says Rothbury postmaster Mr George Ross. Like many older people in Rothbury, he disapproves of the Sheehy report's suggested fixed contracts for the police. "If a policeman is only there for 10 years, he won't put himself out."

Younger people are less sympathetic to the concept of policing as a job for life. Mrs Henrietta Hay, 26, an army officer's wife, questions why the police should be immune from a general social trend: "Everyone thought the Army was a job for life. But even in the Army cuts are being made."

Criticisms by villagers of local policing include allegations that there are too few officers, that they are difficult to contact and slow to respond. Mr Alan Beith, Liberal Democrat MP for the area, said: "At night the thin blue line is almost non-existent." Nevertheless local police enjoy support many of their inner city colleagues would envy. Constable Joe Chapman of Rothbury said: "The people actually talk to you out here."

Mr Tim Shilton, who runs an upmarket outdoor clothing shop in Rothbury High Street, said: "The standard of policing in rural areas is very high. The level of policing is non-existent."

He added: "You can set your watch by the crime here. Burglaries are nearly all after 1am." The time is significant. Between 1am and 8am all six police officers who cover Rothbury and its surrounding countryside are off-duty.

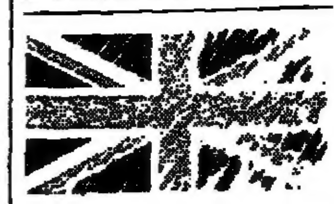
His store has bullet-proof glass and a ramraiding protection cage flanks the window display. After nine attempted burglaries in the past four years he is taking no chances.

Mr Shilton is critical of current police accountability, especially at the upper levels, but opposes the Sheehy report's proposal to move all police to performance-related pay.

How, he asks, could anybody evaluate – for example – a policeman's patient handling of a car accident death?

POLICE authorities yesterday proposed a package of changes to police pay and conditions aimed at breaking the deadlock caused by the contentions report commissioned by the government from Sir Patrick Sheehy, chairman of BAT Industries. Some top policemen have threatened to resign if the Sheehy proposals for fixed-term contracts for all ranks and a switch to performance-related pay are implemented. There would also be cuts in starting pay. The authorities proposed fixed terms for senior ranks only and progress towards an appraisal system which would be less radical than performance pay and would involve the setting of higher maximum salaries for all ranks.

Britain in brief



Exporters' confidence stays high

THE RECESSION in much of mainland Europe has failed to dent the confidence of British exporters, a survey from Trade Indemnity, the credit insurance group, indicated. It said two thirds of exporters were optimistic about prospects for business over the next 12 months and that 81 per cent had described their order books as either good or very good.

The quarterly survey of UK Export Business Prospects, carried out last month, shows that almost 50 per cent of respondents have increased their totals of export customers since the last quarter, while 63 per cent said sales inquiries had increased compared with the previous quarter.

The findings contrast with the latest news from the Confederation of British Industry, the employers' organisation. Its August survey of industrial trends found that export order books had weakened over the summer months.

Trade Indemnity said Middle East, Asian and north American markets had been more buoyant in the latest three months compared with the previous quarter. EC and other mainland European markets had been more sluggish in the latest three months.

Insurers fight illegal claims

INSURERS are developing a marketwide database in an effort to track down illegal claimants whose activities cost the industry about £400m a year.

The Association of British Insurers said yesterday that the UK's leading insurers had agreed to support the development of the database, which will contain extensive details of proposal forms and claims submitted by policyholders.

Critics allege that insurers are not doing enough to combat fraud and are penalising customers with steep rate increases to compensate for past losses incurred partly because of the industry's own mistakes.

Business failures down

THE NUMBER of businesses going into receivership rose for the third successive month in August, but remains well down on the same month a year ago, according to figures from Touche Ross, the accountancy firm.

There were 252 administration orders and receivership appointments in August, compared with 321 in the same month last year.

Nestle to boost sweets output

Nestle UK, a subsidiary of the Swiss confectionery group, said it was expanding sweet production in Britain following the completion of a £1m plant in the Midlands. The new plant, built at the company's existing factory in Leicester, will concentrate on manufacturing brands now imported from the US.

Westland wins

Westland Engineering, part of the Westland Group, has won a contract expected to be worth about £33m to design and build the power take-off gearbox for the BMW Rolls-Royce BR700 series of aero-engines for business jets. The contract was won against strong international competition.

Greenpeace in court today

Greenpeace, the pressure group, will today ask the Court of Appeal to halt radioactive tests at the Thorp nuclear reprocessing plant in north-west England until September 14. On that date, the High Court will consider whether the tests are legal.

In a separate legal action, Greenpeace has taken ICI, the chemicals group, to court over alleged water pollution. Yesterday that case was adjourned.

Putting over the message

Are middle managers really obstructive to change?

Nine months ago Ingersoll Engineers, the consulting firm, published a survey strongly suggesting that they are. It polled top directors of British manufacturing companies and discovered that 41 per cent found middle managers resistant, and only 21 per cent believed them supportive.

Now Ingersoll has returned to the same businesses, talked to the middle-ranking executives themselves, and concluded that there is another side to the story.

Their apparent truculence stems not, it now seems, from any underlying wish to oppose change in principle, but from a lack of understanding and from ineffective, unprofessional, internal communication.

The two surveys show that there is little disagreement between managing directors and ordinary managers on the need for change and on the priorities of change programmes.

Both groups lay heavy emphasis on communication and commitment, but according to managers the communications process itself is often flawed.

The failure, according to the study, appears to lie in what is actually communicated (the message) and how (the medium). The perception of breakdown is widespread – with approach, skills and technique all suspect; too often changes are announced, or initiated with information which is insufficient or too incomplete for others to be able to understand them.

Communication both upwards and downwards is considered crucial.

"Frequently the downward is there, but the upward falls on deaf ears," commented one manager. "Attempts [to change] without communicating . . . lead to the suspicion of a hidden agenda," says another.

"The undeniably good news," claims Brian Small, Ingersoll Engineers' managing director, "is that there are clearly no longer any cultural barriers to the efficient management of change programmes; the big pitfall is misunderstanding.

"Communicating a clear plan superlatively well is central to creating the confidence for successful change."

Tim Dickson

Business airs a new image

UK companies have discovered the potential of running their own TV networks, writes **Lucy Kellaway**

The clock on the television screen shows 8.15am. An egg is broken into a frying pan as the credits roll to jaunty music. Smiling presenters on sofas exchange quips about the cricket score. The familiar run of news snippets, phone-ins and quizzes begins.

This is breakfast television with a difference. The jugs of orange juice, the squashy sofas and the relentless cheer are all the same. But the audience is not a few million casual viewers in their dressing gowns, but a few hundred suited BMW car salesman concentrating hard. The questions are not about show-biz, but about the tax advantages of leasebacks on cars, and the relative costs of leather upholstery in the latest Rover and Mercedes models.

Broadcasting information to staff in different locations has been commonplace in the US for a decade, where there are about 120 private company networks. But in the UK companies are only slowly discovering the potential of business television.

BMW, which was among the first to establish its own network in 1990, is still finding new uses for the medium. Its latest initiative, "Breakfast with BMW", was launched this summer to combat the recent decline in sales.

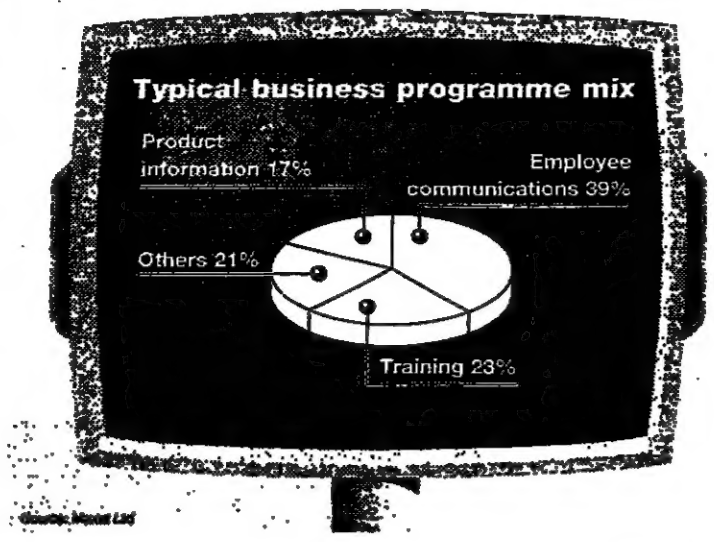
The idea is that salesmen share their hottest sales tips on live television, and compete with their colleagues to sell more cars and to win a holiday in Bermuda. The result, according to the BMW "weatherman" who takes the sales temperature in different parts of the country, is that the sun is coming out almost everywhere.

BMW is not the only car company to use television to spread the word to a far-flung audience. Ford has been broadcasting weekly programmes to around 400 dealers for nearly a year, and more recently Renault has joined the game.

The car industry has espoused the medium more quickly than others partly because it is not frightened of technology, but mainly because its success depends on motivating a loose network of franchised dealers.

However, in the last year large companies in other industries went on the air for the first time: Texaco, Zeneca and Texas Homecare set up their own television networks, while Asda launched itself on the radio waves.

These companies hope broadcasting will prove to be a good way of spreading company news, sales information, product launches and training. According to Doug Larner of Imagination, which produces programmes for Ford, television can get across both operational and strategic messages. It is immediate and involves everyone – it is also flexible, as different people can be talked to in different voices, he says.



Some companies use their networks as much for international conferences and meetings as for company news broadcasts. At Zeneca, ICI's pharmaceuticals offshoot, the satellite link has already reduced the cost of business travel.

"In the past someone might be out of the office for five days for one day's meeting in the US and Australia and you'd wonder if they would be fit to make decisions when they arrived," says David Burkhill-Howarth of Zeneca.

Business television is also being sold as a means of implementing change programmes, by communicating boardroom views directly to the workforce. Pearl Assurance recently borrowed the BMW network to talk to 3,500 salesman about the company's new strategic direction in a live programme, followed by a question and answer session in which any salesman could air their views.

Kevin Gavaghan, director of Visage, which makes programmes for both BMW and Pearl, argues that companies make an enormous effort to communicate with their customers, but relatively little when it comes to communicating with staff.

Larner believes that companies tend either to smother staff with information or not to communicate at all; and for both defects he argues that business television can be an answer.

When Ford audited its communications three years ago, it found its dealers were receiving 16,000 pieces of paper every week, 40 per cent of which came from Ford. Television has replaced some of the paper and has also made it easier to distinguish between the messages that matter and those which do not.

But surely the same end could be achieved with video? Television has a magic that video does not have; and more importantly it can transmit messages immediately. Merrill Lynch found its network in the US paid for itself on Black Monday 1987 when it was able to issue timely instructions to its salesforce. Regular television programmes also have their own momentum: each programme can dip into various subjects without having to tell the whole thing from beginning to end. Live television has the further advantage in that it allows the viewer to speak back. Both Ford and BMW have used this to effect in televising car auctions.

However, one problem with business television is to make sure that people actually watch the broadcasts. According to Lander, this has been overcome at Ford: managers know that vital information may be transmitted at 11am on Thursday and so they work their diaries around that date. Many even arrange their management meetings for that time, to be able to discuss the broadcast afterwards.

The BMW breakfast show solved the problem by getting the presenter to telephone dealers live to see if they were watching. If they were, they won the use of a special sports car for the weekend.

Business television is not cheap. To equip each site might cost between £1,500 and £10,000 depending on the quality of the screens, decoders and satellite dishes, while the air time costs around £1,500 an hour. While these costs are falling, and will fall further, they are dwarfed by the main cost, which is producing the programmes.

Visage estimates that each BMW programme costs about £12,000 on average to make. Some networks are trying to keep costs down by making the programmes in house, whereas others fear that unless the programmes have the professional stamp of an outside production company staff will not take them seriously.

Many companies are cautious about making the large investment in the equipment. National Westminster Bank is experimenting with a series of programmes produced by Imagination every few weeks, but distributed on video. The videos have a magazine format and include small sections of staff training and motivation. If they catch on NatWest could be the first clearing bank on air.

Yet business TV does not suit everyone. Quite apart from the price – which puts it out of the range of all but the largest companies – it is essential for audiences to be in the right place at the right time. Business television experiments for GPs failed because doctors move about too much.

"We are never going to see exponential growth," says Stuart Baxter of Maxat, the largest satellite operator. "Business television is aimed at big, blue-chip companies. No one is going to create a new budget for it. Instead they see it as saving money in other areas, communications, travel or training."

Andrew Baxter stresses the need for successful product introduction

Time for an action plan

The successful introduction of new products is one of the keys to profitable manufacturing but, for many UK manufacturers, improving the process is still in its infancy.

This is one of the findings of an updated edition of Manufacturing into the Late 1990s* – first published in late 1989 – which has been prepared for the Department of Trade and Industry by Tony Roberts and Mark Smalley at PA Consulting Group.

The study says recognition of the importance of new product introduction has continued to grow since the first report was produced. The pool of knowledge and experience of best practice in this area is now greater – particularly within leading manufacturers. But Roberts, director of PA's manufacturing sector, says there is still some way to go.

"Product design often takes years for many engineering-type products," he says. "Some companies have put relatively more effort into 'quick-buck' initiatives such as changing factory layouts, where you can get benefits in a few months."

The complexity of new product introduction means it is less well understood than other industrial processes. It involves highly-skilled people who are accustomed to working at their own pace.

"Product design is not deterministic," Roberts says. "You cannot predict that something will take 100 hours to complete. It could be five hours or five days."

The study has plenty of advice for managers on how to improve their manufacturing responses to the challenges in the 1990s. It identifies four themes.

- Higher customer expectations. "Customer power continues to grow and to compete effectively you must satisfy existing and new customers profitably."
- Greater business complexity – multi-technologies in the product and the manufacturing process, a wider product range, customisation and market niches.
- More uncertainty, stemming from a wider range of customers, shorter product life cycles and more competition. This means greater uncertainty about the life of products and investment decisions associated with them.
- Growing competitive and legislative pressure. "Legislation such as that concerned with product liability, health and safety and the environment will place additional strains on the business."

The task for manufacturers, says the study, is to "distil, from all the external drivers, a competitive strategy based on opportunities, clear responses to threats and then use your manufacturing capability as a competitive weapon".

This is why successful new product introduction is seen as so important. According to the study key ways to achieve this include getting designers close to customers; using multi-discipline teams with clear objectives about delivering the product on time; having the design effort managed by a product director with clear authority to deliver.

But there are other important ingredients to the manufacturing response. While many companies feel they have greatly improved factory operations over the past decade, for many others there is still plenty of scope to reshape the factory to better serve the needs of the business.

Among the key factors contributing to better factories, the study mentions selecting flexible, low-inertia processes, ideally suited to the manufacture of core items and creating flexible factories, with focused units that can handle mix variations and be reconfigured to cater for short product life cycles.

While some companies have to try harder, Roberts is encouraged by what has been happening in manufacturing since the first report. "There is a much greater awareness of the need for a strategy – something that makes sense of all the elements of design and manufacture to produce a competitive and profitable business," he says.

**Manufacturing into the Late 1990s. Department of Trade and Industry. HMSO Publications Centre, 51 Nine Elms Lane, London SW8 5DR. (071 873 0011) £22.*

THE PROPERTY MARKET

A tough value judgment

The way UK property valuations are calculated is a controversial subject, with critics claiming that clients are being misled, writes Vanessa Houlder

The subject of valuations still stirs up heated debate in the UK property industry. Critics of current methods, including bankers, academics and property companies, argue that the way chartered surveyors calculate and present property valuations can mislead clients and contribute to the volatility of the market.

These concerns have prompted the Royal Institution of Chartered Surveyors to set up a working party on trends in client demand for commercial valuation advice. The aim, according to Mr Clive Lewis, president of the RICS, is to reassess what clients want from valuation advice and to clear "our minds of the preconceptions of the past".

The group, headed by Mr Michael Mallinson, former property director of Prudential Portfolio Managers, includes clients, valuers and an academic researcher. It will canvass the views of property clients and professionals before it reports in February.

'If non-property people go to a valuer, they believe they are getting advice. But all they are getting is a valuation'

The debate in the industry about property valuations is taking place on two levels.

First, are valuers giving their clients enough information about the risk factors associated with the valuation and the way it was arrived at? Are valuations producing the figures clients understand and expect? Should valuers express an opinion about the future trend in a property's value?

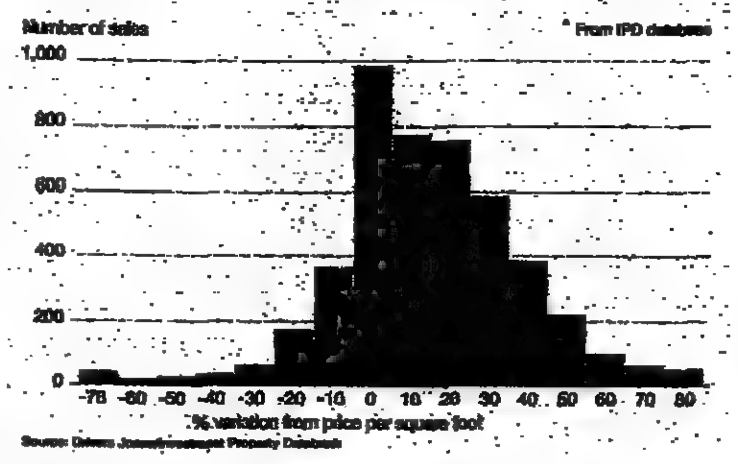
The difficulties with the current system are unlikely to be entirely the fault of surveyors. Members of the Association of Property Bankers, which was set up recently to discuss property issues, believe that misunderstandings about the nature of a valuation are partly the fault of the client. The association is now putting together a code of practice for bankers on how to instruct valuers.

"If non-property people go to a valuer, they believe they are getting advice when all they are getting is a valuation," says Mr Richard Lovell, president of the association.

He argues that banks need more than a valuation; they need "a character analysis" of the property, which could include questions of liquidity, its sensitivity to fluctuations on the market, problems of lease structure and allied risks.

Second, and more controversially, is the thinking behind a valuation fundamentally flawed? Does the "open market" method of valuation, which relies on the prices fetched by comparable buildings, pay insufficient regard to the intrinsic worth of a building in terms of the income it can generate for its owner?

UK property*: price/valuation differences 1981-91



Source: Drivers Jonas/Investment Property Databank

Capital & Counties, a property company which is one of the most vocal critics of existing valuation principles, recently produced a discussion paper on accounting treatment for investment properties. It concluded that the current basis of valuation did not work well for certain types of property – those that rarely came on to the market and for which there was little comparable evidence of sales. Instead, the property's valuation should reflect its "value in use" to its owner.

CapCo also argued that, in difficult market conditions such as those of recent years, a valuer might not be able to obtain accurate information about transactions, because of confidentiality clauses and agreements that are kept secret.

Another of CapCo's arguments in favour of changing valuation methods was the fact that property investment decisions will increasingly be driven by comparison with other, non-property forms of investment.

The company concluded that an approach was needed "which is adaptable to changing market conditions and to circumstances where there is a lack of relevant comparable evidence and encourages valuers to value on an investment basis as well as have regard to comparable evidence.

"A proper assessment of the value of fixed assets under such conditions requires an analytical interpretation of future growth rates and interest rates, of the changing nature of the market for all forms of investment and of the inherent investment characteristics of the assets."

The idea of including subjective issues, such as expectations of future growth rates, or extrapolating past trends in a valuation is highly controversial. One individual's opinion about future trends cannot be as valuable as that of the market, which is the summation of many individual viewpoints, say opponents. Moreover, if valuers had more discretion about the assumptions underpinning the valuations, they might come under pressure from a client wanting to massage the figures.

In the end, say the defenders of the existing system, the value of a building is what somebody is willing to pay for it.

They also draw comfort from the apparent accuracy of valuations. A recently published report by Drivers Jonas, chartered surveyors, and the Investment Property Databank, a research group, which compared investment valuations with actual prices paid, concluded: "Valuation surveyors are still achieving levels of accuracy as high as those produced in the much less volatile market circumstances of the mid-1980s."

The concern that the accuracy of valuations would deteriorate as the investment market became less active and provided less evidence on which valuers could base their judgments proved groundless.

In the end, say defenders of the existing system, the value of a building is what somebody is willing to pay for it

However, some critics of current techniques think that this type of research does not go to the heart of the problem. A report by the RICS about research priorities, published earlier this year, said that the debate has centred on the methods of examining the empirical data on valuations and sale prices, not on the process by which sale prices are achieved and whether existing valuations have any influence on the market price.

"The empirical work is therefore taking place in a vacuum," it said. It believed that the recessionary market of the early 1990s had exposed a basic flaw in the philosophy of valuations. "The fundamental problem is the over-reliance on a methodology which is effectively one of simple comparison and not an investment method from first principles.

"The last 30 years have seen the valuation profession become very insular in outlook, such that the valuation of an investment property from first principles appears to present the profession with a major problem."

If the property market continues its recovery, the motivation for some of the critics of valuation methods – who thought the value of their property was unduly depressed – could disappear. Nonetheless, the intensity of the debate suggests that the pressure on the surveying industry to re-examine its valuation philosophy will remain.

Changes in property values (%)

	Retail		Office		Industrial		All	
	Year to Jul 93	Mnth of Jul 93	Year to Jul 93	Mnth of Jul 93	Year to Jul 93	Mnth of Jul 93	Year to Jul 93	Mnth of Jul 93
Rental growth	–3.8	–0.1	–18.7	–1.5	–11.7	–0.8	–10.7	–0.7
Capital growth	–1.6	0.8	–9.2	0.3	–6.2	0.1	–5.2	0.5
Total return	6.4	1.4	0.2	1.1	3.9	1.0	3.8	1.2
Current yields	8.9		10.0		11.3		9.7	

Source: IPD Monthly Index, Investment Property Databank

PUBLIC NOTICES

CD films: coming soon

A handful of fierce competitors in the consumer electronics industry has jointly agreed on the basic specifications of a standard-sized compact disc that contains roughly an hour and a quarter of video and sound.

The new CD will allow most feature-length films to be stored digitally on two standard CDs.

Philips of the Netherlands, Japan's Matsushita Electric Industrial, JVC and Sony announced in Tokyo that they would co-operate in promoting the new format, based on an existing sound and pictures CD used for karaoke. Commodore, the US games computer manufacturer, Samsung and Goldstar of Korea and JVC have also joined the group.

Philips and Sony co-operated in developing the original audio compact disc, and most of the companies involved in the new video CD standard have already signed an agreement on interactive CD, which combines video images, computer animation and sound in an interactive format for entertainment and games. But in the marketplace the partners are usually fierce rivals.

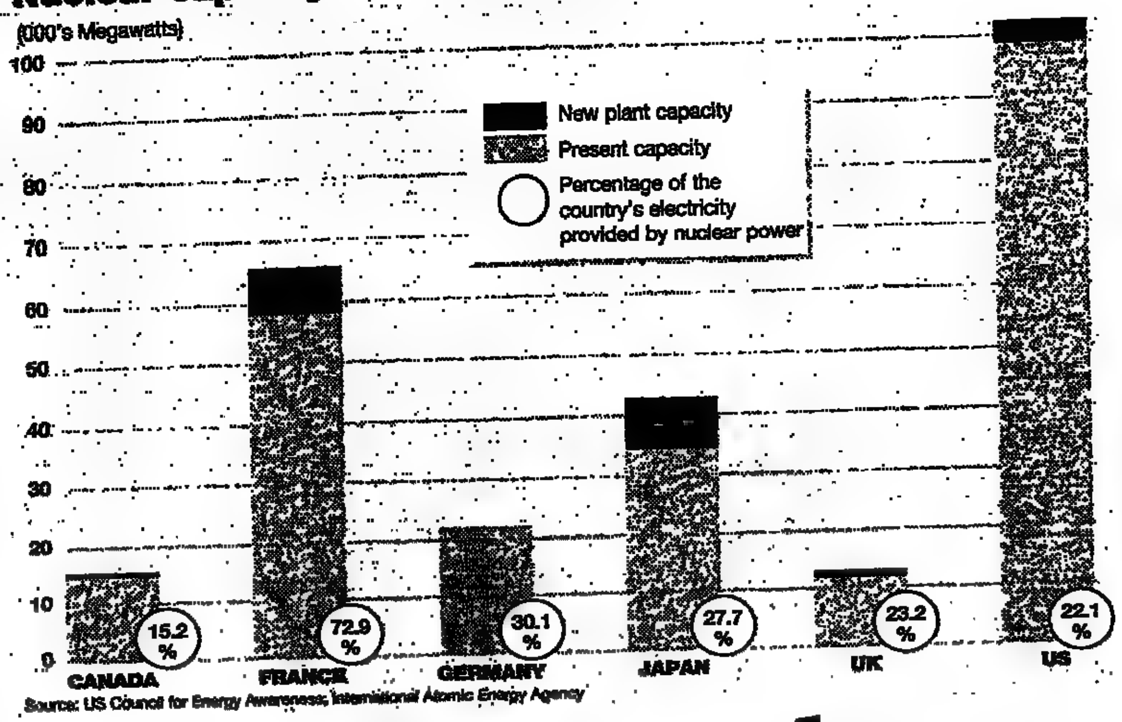
Video CD will have roughly the same picture quality as a standard video cassette and should be on the market in the middle of next year, said the companies. In common with interactive CDs, video CD uses picture compression techniques developed by M-Peg, the Moving Picture Experts Group, which was set up to establish a method of converting pictures into a digital form.

Laserdiscs, another sound and video system, are larger in diameter, use analogue storage and have a higher picture resolution, 430 lines as against the 300 lines on the new video CDs. Laserdiscs have proven particularly popular in Japan, where one in 10 households has a laserdisc player. Unlike standard video cassettes, neither laserdiscs nor video CD can be used for making home recordings.

The partners have agreed to use a single logo for the new system to indicate that it runs on hardware based on the format. Publishers have already started to use the new format for film, music and education programmes, they said.

William Dawkins
Della Bradshaw

Nuclear capacity and generation



Source: US Council for Energy Awareness; International Atomic Energy Agency

Retiring the workhorse

Richard Waters reports on a uranium producer facing the task of replacing its obsolescent equipment

The US's sole producer of enriched uranium – the fuel which feeds nuclear power stations – faces one of the classic dilemmas for a technology-based company.

The US Enrichment Corporation (USEC) produces nearly half of the world's supply of enriched uranium in two plants which are 40 years old. This old technology (based on a process known as gas diffusion) is still working effectively and is in no immediate need of replacement – although maintenance costs are relatively high. The plants have already been fully written down, so the company faces no depreciation costs.

Meanwhile, a new generation of technology, known as gas centrifuge, has been in use by competitors since the mid-1970s. Since gas centrifuge uses far less power, the fuel produced is generally reckoned to be cheaper on a marginal-costed basis (though more expensive if the depreciation cost of the newer plant is added in).

The dilemma: should the USEC scrap its existing plant and make the multi-billion dollar investment in the next generation of laser-based technology with which it could leap-frog its competitors? The decision is complicated by three factors.

First, the world faces a glut of enriched uranium. Only East Asia is building nuclear power stations at a *faster* rate than it is retiring them; the demand for enriched uranium, variously estimated at an annual 30m-35m swus (separative work units, the standard unit for the fuel), is expected to rise only marginally over the rest of the decade.

Yet commercial uranium enrichment capacity continues to rise. This reflects in part a desire by governments to ensure a steady supply of what is in some countries a strategically important fuel. France, for instance, generates nearly three quarters of its electricity using nuclear power. In Japan, the figure is a lower, but still significant, at 28 per cent. USEC currently uses only around two-thirds of the capacity of its two plants.

Adding to this over-supply in the coming years will be fuel which is created out of old nuclear warheads. The US company is due to receive the 500 tonnes of weapons-grade uranium which the US has agreed in principle to buy from Russia. According to some estimates, this uranium would produce enough commercial-grade fuel to keep all the world's nuclear power stations running for some eight years.

Weapons-grade material is as high as 97 per cent pure, compared with the 4 per cent purity of the uranium used in nuclear power plants. Breaking down this highly enriched material is technically far easier than creating commercial-grade fuel from scratch.

Second, USEC's share of the world market for enriched uranium has fallen fast in the past decade and may still be shrinking. At the start of the 1980s, it had a monopoly on the process by which the naturally occuring uranium-235 isotope is "enriched" to push its concentration up to the 3-5 per cent level at which it can be used in nuclear power plants. Its share of the annual $3bn (£2bn) market for the fuel has now fallen to 46 per cent.

Tim Timbers, an investment banker appointed this year to run the USEC, blames its falling market share on the fact that, as an arm of the US Department of Energy, it has not been subjected to commercial disciplines. The price at which it sells fuel has in the past been published, making it easy for competitors, he says.

The company has now been given the power to act more commercially. Following last year's Energy Policy Act, the USEC, which had been an arm of the Energy Department, was set up as a separate corporation at the beginning of July. Its brief is to make profits – and it will no longer publish its prices, says Timbers.

The third complicating factor; the company has been lined up for privatisation (its $1.5bn of sales a year will put it among the US's *top* 300 companies). Would outside investors put their money into a company which operates with obsolescent equipment in one of the world's most technologically advanced industries?

The new technology which could reshape the uranium enrichment process is based on lasers. Known as atomic vapour laser isotope separation (Avlis), it would reduce the cost of producing enriched uranium by more than a third, estimates Timbers.

Others in the industry are more doubtful. Urenco, a joint UK/German/Dutch company which claims a market share of around 10 per cent, says it has studied laser enrichment but decided not to proceed with the technique. "It's extremely complex and difficult – we couldn't see any foreseeable success," says the company.

Laser-based technology involves the vapourising of uranium, and then using a laser to ionise the U-235 atoms in the vapour. The charged atoms can then be separated from the rest. Enrichment techniques based on lasers have been under development in the US for 20 years. Only at the end of last year, says the USEC, did tests establish that the process was practical on a commercial scale.

Studying the technical and business case for switching technologies is expected to occupy the company for the rest of this year. Should it decide to take the leap, plant which has operated since the beginning of the nuclear age will finally be retired.

Worth Watching · Della Bradshaw

'Decopier' wipes paper clean

The traditional photocopier has contributed more to world deforestation than most other office machines. Now Japanese manufacturer Ricoh has redressed the balance with a prototype "decopier" – technology which removes the toner from the surface of copied paper.

During the copying process the images are created with toner – resin powder – on the surface of the paper. The images are fixed using a hot roller which melts the resin and applies pressure so that it soaks into the tiny spaces between the fibres.

The "decopier" reverses the process, applying a peel-off solution to the paper to reduce the adhesion. Heat is then applied to fuse the toner while pressure transfers the molten toner on to the surface of a roller.

The prototype machine can recycle three A4 sheets a minute. Ricoh: Japan, 03 3479 3111.

Pen computers pick up tool kit

Pen-based computers, where a stylus rather than a keyboard is used to enter data, look set to bring computing to jobs outside the office, especially for completing forms. German software house Padcom is now developing a tool kit, PadForm, to enable standard forms to be more easily created.

Much of Padcom's work to date has centred on forms for the pharmaceutical and clinical research organisations. Padcom: Germany, 228 628064; US: 212 599 2710.

Cows' blood ready for humans

The risk of viral transmission, together with a shortage in blood supplies, has focused attention on the development of human blood substitutes. New Jersey-based biotechnology company Enzon has now been granted a patent for its red blood cell substitute which uses bovine (cow) haemoglobin.

The haemoglobin is modified by attaching hair-like strands of the polymer polyethylene glycol (PEG) to the protein in order to reduce its recognition by the body's immune system. This PEG-haemoglobin circulates longer in the body, producing fewer allergic reactions. PEG-haemoglobin also eliminates the need for blood typing and matching. Enzon: US, 908 980 4500.

Tracking down wayward pets

Pet dogs wander off, thoroughbred horses are stolen and expensive falcons fly away. To combat the problem Fecava – the Federation of European Companion Animal Veterinary Associations – has decided to standardise on chip technology which gives each animal a unique identification code.

The device, developed by the US company Destron, and marketed in the UK by Animalcare, of York, is a transponder the size of a grain of rice which is injected into the animal's neck or paw.

When the device is installed the unique number and details of the owner are logged on a national database. The animal can be reunited with its owner by reading the transponder with a hand-held reader. Animalcare: 0904 488661.

Microwave mixer zaps hot spots

Recent reports on microwave cooking have highlighted the problem of hot spots – parts of the food can be boiling hot while others remain cold. The Micromix, developed by Sales Connection Group, of London, stirs the food during cooking, thereby eliminating the problem.

The gadget has a rigid plastic frame which wedges against the sides of the oven and from which a spatula is suspended into the bowl of food. A friction mat between the bowl and the turntable ensures that the bowl turns evenly as the spatula stirs the food. Sales Connection: UK, 081 902 5500.

PEOPLE

Nielsen takes his place in shipping lane

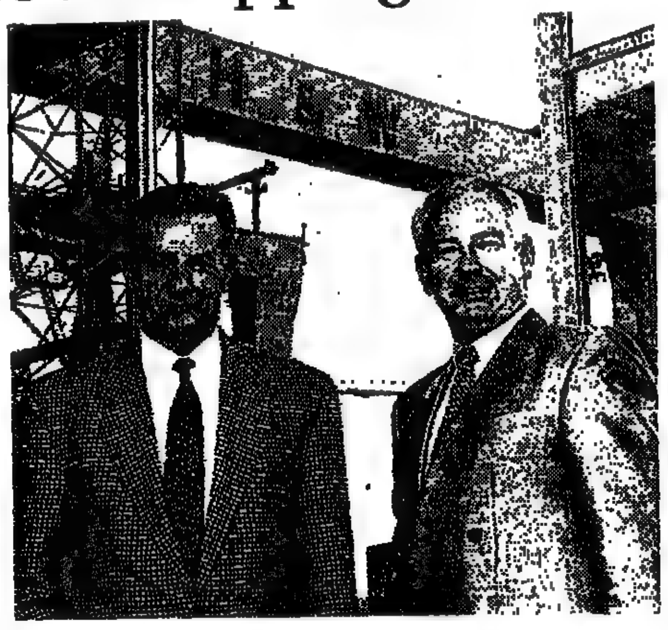
Harland and Wolff, Belfast's famous shipyard which underwent a management and employee buy-out in 1989, has gained a new chief executive. Per Nielsen, 53, is no stranger to the company, having first joined in 1987.

Danish by birth, Nielsen's career is solidly based in shipbuilding. A graduate in engineering and a postgraduate in economics, financial control and electronic data processing, Nielsen (right) was appointed assistant director of the shipbuilding division at Denmark's Aalborg yard in 1981.

Moving to Harland and Wolff in 1987 he took over as assistant managing director with control over operations, and became managing director in September 1989.

Nielsen retains strong links with his home country, though he has lived in Belfast for the past six years. He is a government-appointed examiner at Aalborg University and a frequent guest lecturer in strategic planning. A member of the Danish Naval Architecture University's board and the board of the Danish Employers' Association, Nielsen also belongs to the Confederation of British Industry.

Nielsen takes over as chief executive from John Parker (far right), who first joined the company in 1958 and eventually became chairman and chief executive in 1983. Parker it was who led the management and employee buy-out of the company from the state-owned shipyard. He is said to be joining the board of an international group, the details of which are currently being kept under wraps.



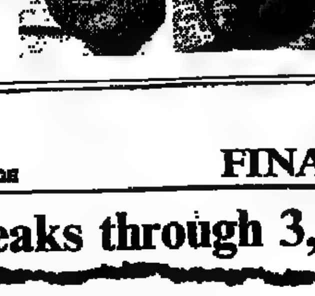
Constructive careers

■ **John Anderson** has been appointed md of BOVIS Construction Ltd in place of **Christopher Spackman** who previously held the combined posts of md and chairman; he remains chairman.

■ **Keith Lovelock**, formerly operations director, has been appointed joint md of McCARTHY AND STONE with John Gray, who will be concentrating on the group's UK unit, Peverel Management, and winding down French subsidiary Homelife.

■ **Ken Miller** has been appointed a director of CHRISTIANI & NIELSEN's UK board; he is responsible for the company's UK activities. David Palmer has been appointed director responsible for the UK company's international operations.

■ **Clive Drinkwater** (below left), formerly chairman and md of JS Bloor (Newbury), has been appointed md of PERSIMMON HOMES (Wessex) in succession to **Mike Farley** who becomes chairman of the Midlands and South West. David Drew, formerly md of James Longley Homes, has been appointed md of Persimmon (South East) in succession to David Bryant who becomes chairman for East Anglia and the South East. Steve Watt (below right) is appointed md of Persimmon Homes (Thames Valley).



Manchester Airport picks internal candidate

After a £40,000 trawl round the world by headhunters and a starting list of 160 potential candidates, Manchester Airport has given the job of chief executive to Geoff Muirhead, the internal candidate. He will succeed Sir Gilbert Thompson, the man who spearheaded the airport's explosive recent growth, who is retiring.

Muirhead, 43, is a civil engineer and currently the airport's director of development. He was in charge of the new Terminal Two, which was delivered on time and opened in March. With Manchester the fastest growing airport in Europe and now approaching a throughput of 15m passengers a year, the job is regarded as one of the best in the aviation sector. It is also crucial to northern England, where the airport is proving an important economic generator.

Muirhead emerged from a short list of three; the other contenders were Stephen Poster, managing director of Granada's motorway services chain and hospitality division, and Rod Hoare, managing director of British Airways regional operations. Poster is understood to have been first choice for the £114,000-a-year job, despite his lack of airline or aviation services management, but turned it down.

■ Tom Winsor, a partner at Denton Hall and a member of its rail unit, has been seconded to the Department of Transport as director-designate of legal services to the Rail Regulator to work on rail privatisation.

Edinburgh Festival

Comedy gets serious

THERE IS nothing more certain to kill a sense of humour than a comedy festival, and since the Edinburgh Fringe is in danger of degenerating into a comic's convention it is a place to tread warily.

Even the winner of the Perrier Award for best cabaret performer, Lee Evans, could trip up many people with his idea of what makes a laugh. Evans was born into the entertainment business which might explain why his physical contortions owe much to *Norman Wisdom*, and his painfully fractured delivery is reminiscent of Frankie Howerd. Evans was the clear favourite and a popular choice. He will transfer well to television and could become a typical British star comedian, loved by those who find every jerky grimace side-splitting, hated by those who expect wit from a comic.

The new wave comedians who flock to Edinburgh each Festival rarely tell jokes: they make quirky observations on the passing scene. Perrier's most promising newcomer award went to Dominic Holland, who fits neatly into this category. Holland relies on bags of charm and naivety to win over the audience. He has worked the London circuit with a 20-minute act which leaves him looking threadbare filling an hour at Edinburgh, but there is enough jokey humour to suggest success. *Along with Donna McPhail*, who managed to find loads of laughs in lesbianism, he was the pick of the "funny old world, innit" school of comedy.

It would be helpful if the organisers of the Perrier Award could spell out their ambit more clearly. By far the happiest hour at Edinburgh was spent with Dave Schneider and Armando Iannucci. They are hardly household names but their On the Hour series for Radio 4 presumably makes them Perrier non-starters. Schneider throws himself around the stage. He lifts familiar material – the world's worst magician, Zero Talent, and quick-fire pop impressions – out of the mundane. Iannucci is more cerebral. He pushes the possible into the surreal. The sketch of the juggler adapting his act to take account of Stephen Hawking's theory of the expanding universe is sublime.

Equally unacceptable to a Perrier judge is another young Radio 4 stalwart, Richard Herring. Like many comedians he has progressed into situation comedy: in Ra-Ra-Rasputin he makes the obvious link between the Russian monk and the German disco group, Boney M, taking in fancy cakes, a pickled penis, a naked Prince Charles, and plenty of good natured bawdy. This mindless fun was a welcome relief from stand up comedians determined to wring your conscience dry.

Not all those grim faces you see at a Fringe event hide bad consciences. Many represent agents and critics and radio and TV producers checking out the talent. Sometimes the paying punters seem an insignificant minority and you worry that the whole carnival is just some gigantic audition, a trade showcase. For one student production of *Much Ado About Nothing* the audience consisted mainly of Richard Eyre, director of the National Theatre, and Dennis Marks, director of English National Opera: the actors should not get over excited. The production was directed by Eyre's daughter and there was a Marks girl in the cast.

But with the Television, Film, Jazz, and Book Festivals happening co-incidentally Edinburgh inevitably becomes the national arts scene, and many performers prepare an act which keeps them in genteel poverty for the rest of the year. The professional reaction at Edinburgh either makes them or breaks them.

Genteel would be a dangerous description of Kit and the Widow, back in Edinburgh with a fistful of new songs. They look and sound so respectable (although Kit's recently shaven head adds an air of menace) but their lyrics spit out poison capsules. In the past Kit begged not to go to bed with Madonna; now the unlikely coupling of Virginia Bottomley and Delia Smith has been added to the list of ladies who need better PR.

Kit and the Widow carry traces of the Western Brothers and Flanders and Swann but are really very hard indeed. Their strength is contemporary jokes: wondering whether Michael Jackson could be caught up in blackmail, being so black-ish and male-ish.

Finally congratulations Emily Woof. Her show Revolver faced two potentially scuttling setbacks: she was not allowed to use songs from the Beatles album "Revolver", the basis of her show, and she broke her leg. Woof ignored these petty handicaps.

Part of the attraction is such a mimsy girl talking dirty but, in spite of the plaster cast, she brings a stunning physicality into her soliloquy, which links a planned video based on the songs from "Revolver", with a Beatles fan of the 1960s desperate to consumate her love for John Lennon. Woof makes things complicated by introducing subsidiary characters, which distract from her central image, a vulnerable woman abandoned in the flat of a footloose television producer with only the gun in his desk for sinister company. But the climax is suitably cathartic.

Antony Thorncroft

On the fringe: Emily Woof in her solo piece Revolver

Caesar in a crowd

THE FIRST, if obvious, comment on Peter Stein's production of *Julius Caesar* is that it is so very, very, German. This has nothing to do with the language. Shakespeare translates well into a tongue that has much in common with his own. It is a point about concepts. The Germans have a fatal habit of becoming hooked on a single big idea.

The big idea in Stein's production is that there should be a very large crowd. Whereas a normal production of *Julius Caesar* might have a crowd of about 50, and often considerably less, Stein goes for a crowd of around 200, and very impressive it sometimes seems. Yet the size of the crowd immediately creates new problems. Only a very large space can accommodate it.

In Edinburgh there are few large spaces available, so the search for *Lebensraum* led to the Royal Highland Exhibition Hall in Ingliston.

The inside of the hall looks like a mixture of a huge aircraft hangar and a shipyard. Again, this may be a bonus. Certainly the crowd in Stein's *Julius Caesar* have a close resemblance to the shipyard workers who used to rebel in Gdansk. They seem the very model of an industrial proletariat. The technique of having the crowd stream in from all sides works once, possibly twice. Being German-directed, however, it is a very organised crowd and there is some danger of repetition. By the time the original crowd was doubling as helmeted soldiers running backwards and forwards with riot shields I began to laugh, which presumably is the last reaction Stein is looking for.

There is a more serious objection to designing a play to fit a single concept. It arose when Robert LePage designed *A Midsummer Night's Dream* in a swamp in London last year. It seems a good idea for half an hour or so, but the trouble is that once you have introduced a swamp to the stage you are stuck with it to the end.

So it is with *Julius Caesar*. Some scenes in *Julius Caesar* – between Caesar and his wife, for example, – are of great intimacy. They do not need the vast space created for 200 people. Not even Stein's controlled use of lighting can conceal the fact that a large part of his space is often distractingly empty. We are looking at a vacuum.

Besides, the role of the crowd fades in the last third of the play. It becomes a battleground, but the best scenes are to do with personal confrontations and griefs, not fighting. Stein's approach seems to be that if you have 200 extras available, you might as well redeploy them as storm troopers. There is just a suggestion that this is what happened in the rise of Nazi Germany, but it does not really fit the rest of the production.

By enlarging the cast list, Stein has diminished the play and also the art of theatre, which works by suggestion as well as action. A much smaller crowd, with faces that could be distinguished, would have been far more menacing – and more menaced.

Martin Benrath's Caesar looks engagingly like Mikhael Gorbachev and there is a thoroughly tortured Brutus in Thomas Holtzmann. The best moment in the production is when he finally and reluctantly stabs a Caesar who is coming to him for support.

Malcolm Rutherford

Sculpture / **Mary Rose Beaumont**

A minimalist's material

THE CENTRAL exhibition space at the Henry Moore Institute, Leeds, is occupied by an enormous six metre high tower made out of 21 tons of cinder blocks. Constructed and installed under the supervision of Sol LeWitt, it is the culmination of an exhibition of structures from 1963 to the present on view at the Institute and in the adjoining Leeds City Art Gallery. A large body of drawings, most of which are an integral part of his sculptural practice, are also on show.

The very early drawings, from 1958, are copies, or "transcriptions", as he prefers to call them, of Old Master paintings, ranging from Piero della Francesca to Velasquez and Goya. That he should have been attracted to Piero is interesting, since LeWitt's subsequent work, both sculpture and drawings, has been rigorously abstract and geometric. Piero was the first early Renaissance artist to construct his frescoes on geometric principles, and therefore a timely beacon to the young LeWitt.

In the 1960s LeWitt, along with Donal Judd and Carl Andre, was a founder member of the minimalist and conceptualist coterie. It was he who, in 1967, adumbrated the principle that "in conceptual art the idea or concept is the most important aspect of the work..." The exhibition holds a great number of explicatory drawings, with texts explaining how LeWitt reached a certain position intellectually, at which point the structure could be, and was, fabricated by a technician.

The rigorously pared-down quality of many of the structures is exemplified in the room populated by 122 *Incomplete Open Cubes*, 1974, which are painted wood structures 8 x 8 x 8 inches, mounted on a 12 inch high painted wood base on the floor; 122 framed photographs and drawings hang like *doppelgängers* on the wall. The systematic geometric variations forbid any figurative associations: "what you see is what you see", as Frank Stella declared in 1966.

A historical curiosity is *Muybridge II* of 1964, which caused a furore as recently as 1991, when a feminist curator refused to exhibit it at the National Museum of American Art in Washington D.C. on the grounds that it was obscene. This structure consists of a long box with 10 tiny holes containing frontal photographs of a nude woman, which progressively advance until the final focus is the navel. Perhaps it makes peeping Toms of us all, but truly pornography is in the eye of the beholder.

From the mid-1980s LeWitt gave himself permission to enjoy the sensuous properties of colour. The results are some gorgeously rich gouaches in deep, Egyptian tomb-painting colours – dark reds, burgundies and ochres – starting in 1985 with pyramidal shapes progressing to regular horizontal and vertical bands of colour until, in 1992, he lets rip, painting wavy irregular bands in luscious tones.

At the Yorkshire Sculpture Park LeWitt has installed another cinder block piece entitled *123454321*. The numbers refer to the stepped blocks which rise from a small cube at either end to one large cube in the middle. The cinder blocks, essentially urban materials, unpleasant to the touch and to the sight, sit uneasily in the lush landscape. It is LeWitt's only structure sited in the British landscape and I hope it remains so.

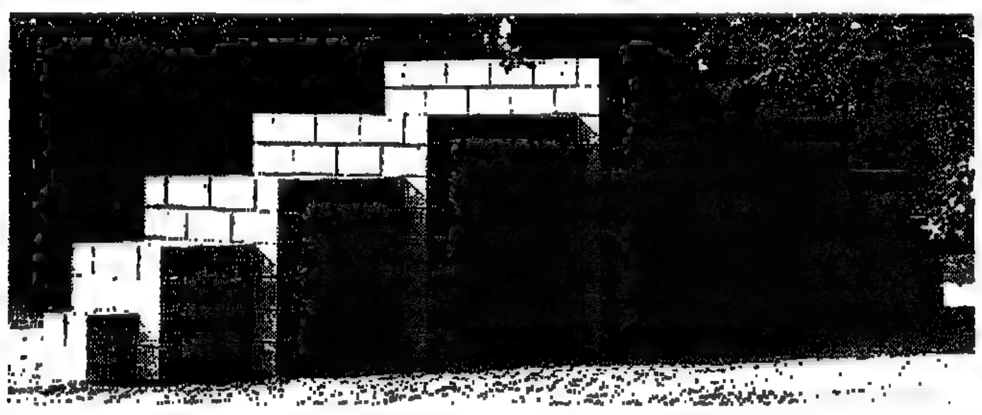
The sculptures of Fritz Wotruba (1907-74) are more comfortable inhabitants of the formal parts of the Sculpture Park. Smaller sculptures, maquettes and drawings are displayed in the Pavilion Gallery and the newly-opened Bothy Gallery. Wotruba, who was born in Vienna, was part of the modern movement. His abiding concern was that the solidity of the material remained with him throughout his career. During the war, which he spent in exile in Switzerland, his sculptures became more representational, owing much to the elongated figures of Wilhelm Lehmbruck.

Perhaps his most enduring monument, represented here by photographs, was his design for the Church of the Most Holy Trinity, Vienna Mauer. Composed of rectangular blocks and cubes, it is as uncompromisingly modern as was Gerrit Rietveld's Schröer House in Utrecht in 1924.

New granite sculptures were made on site by Michael Dan Archer. Archer lived in Japan for three years, which clearly influenced his attitude to the physical characteristics of the stone he is working. The abstract shapes are evocative of ancient architecture and prehistoric menhirs, teasing our imaginations with their secret histories.

The Sol LeWitt Exhibition is at the Henry Moore Institute and the Leeds City Gallery until October 16 (telephone: 0532-343158).

Fritz Wotruba Sculptures is at the Yorkshire Sculpture Park, Wakefield (0924-830302) until October 31.



Jorry Wilde

Cinderblocks in a Yorkshire landscape: '123454321' by Sol LeWitt

Arts award

THE SHORT list was announced yesterday for the 1993 Prudential Awards for the Arts which is worth £100,000 *writes Antony Thorncroft*.

The five on the short list all of whom receive £25,000, are Shobana Jeyasingh, who merges dance styles; The Series (a fusion by Birmingham Contemporary Music Group and Birmingham Jazz); Opera North; Théâtre de Complicité; and Portfolio Gallery.

The £10,000 Arts Council award for an individual to commission a new work will go to either Sir Peter Wright, of the Birmingham Royal Ballet; Nancy Meckler, of Shared Experience; Oliver Knussen, of the Aldeburgh Festival; Sir Edward Downes, of the Royal Opera House; or Jenni Lomax, of Camden Arts Centre.

Theatre / **Andrew St George**

Three hotels

THREE HOTELS at the Tricycle Theatre, Kilburn is an import by Jon Robin Baitz originally written for the American Playhouse series on public television in America. It is a fine example of what television can give back to the theatre by enriching its style, and how theatre can take from television by adopting its acting techniques. There are two actors and three monologues: it makes compulsive viewing.

The scale of the Tricycle Theatre supports detailed acting. Lindsay Duncan (*G.B.H.*) and Peter Egan (*Paradise Postponed*) who play the married couple in *Three Hotels* are fine TV and film performers. The director Jack Gold is also much more famous in television. Remember the advice to Clint Eastwood: "Don't just do something, stand there." Everything is quiet and subtle.

They deliver a pair of fine, focused performances. Their linked monologues have the same level quality as Alan Bennett's *Talking Heads* plays for TV in 1987.

The plot settles in three hotels in Tangier, the Virgin Islands and Mexico. First, Ken Hoyle, Vice President of Iris & Rose, baby formula producers, has jetted in to Tangier to redeploy the sales force: "Fire 'em all and start from scratch." He looks the part: the button-down shirt, grey suit and red striped tie make him the American Executive abroad, comfortable on the road: "I came of age in hotels, I draw comfort from them." But he has qualms about selling milk supplements in developing countries: "How do you go to work every day when everyone disapproves?"

In the second monologue, Ken's wife, Barbara has just addressed a meeting of company wives ("They like to be called girls", she confides) about expatriate life. Getting beyond pancake lessons for the maid, she speaks of her son's death in Brazil and of her husband's spiritual death: "Be careful the company does not turn your husband into something unrecognisable."

Predictably, in the third monologue, Ken has been fired after Barbara's outburst to the company wives. But now he is in Mexico, that ideal alternative America everywhere from Carlos Fuentes to Paul Simon and James Taylor. It is Ken's honeymoon hotel, his wife has left him, and he is waiting for her to come back. Here it is easiest to believe that no one, looking back, wishes they had spent more time in the office.

However, one cavil. The evening exposes a general problem with British actors using American accents. Another example was on show this week in another American two-hander, David Mamet's *Oleanna* (directed by Harold Pinter at the Oxford Playhouse). Accents seem to come either from Texas or Brooklyn. The America of Baitz and Mamet has escaped the ear of the dialect coaches.

Tricycle Theatre, London, Until 25 September. Box Office 071-328-1000

Prom / **Richard Fairman**

Pinnock's tidy Mozart

THIS Prom season has played its cards cleverly: the popularity of period performances has come as a godsend to hard-pressed promoters. The fewer musicians there are on stage, the more it seems there will be in the audience.

At the all-Mozart Prom on Wednesday a capacity audience greeted Trevor Pinnock and his modestly-sized English Concert. This orchestra is larger than the chamber-sized group that Ton Koopman has brought to London for Mozart, but Pinnock might still have considered more. First, because the hungry Royal Albert Hall acoustic devours small bands; and secondly because we know Mozart performed the "Paris" Symphony with an orchestral complement of 56.

Pinnock had 10 less, the shortfall being in the strings. The wind instruments had to struggle to make themselves heard but brass and timpani rang out proudly whenever they had a chance. Pinnock's recordings of the early symphonies had not suggested that he would make such a flamboyant job of No 31, the "Paris".

In the increasingly crowded world of period-instrument conductors Pinnock is known particularly for light, airy textures, grace, neatness. The English Concert's opening to the "Prague" Symphony was scrupulously tidy, but not much more. Then the main Allegro began, at such a speed that the adrenalin level could only rise; the finale rocketed along. Pinnock included all the repeats and finished sooner than conductors in my youth used to without them.

In between came choral Mozart with the Choir of the English Concert, which offered neatly clipped diction in the best Pinnock style. Barbara Bonney was the shining soprano soloist and Catherine Wyn-Rogers, Jamie MacDougall and Stephen Gadd completed the quartet in the "Coronation" Mass, a performance which had spirit but fell short of the joyous punch that this music can pack.

By chance I caught the encore (the Overture to *Figaro*) on the car radio, where the orchestral playing sounded more dramatic by far. As so often happens in early music Proms, the Radio 3 audience had the best of it.

INTERNATIONAL ARTS GUIDE

SYMPHONY orchestras from 31 European countries will converge on Munich next month to take part in Europamusicale, an internationalist musical jamboree dreamed up by a Bavarian art historian, Baron Pankraz von Freyberg. Each day of the month will be devoted to one of the participating countries, represented by an orchestra playing music from its homeland. The aim is to give a sound-picture of Europe's cultural diversity. The festival will be opened by an orchestra from the host city, the Bavarian Radio Symphony Orchestra under Semyon Bychkov. The closing concert will be given by the European Community Youth Orchestra. A politician, artist or scientist from each country will give a speech before each concert.

It all sounds a noble idea – but whether the average Munich concert-goer wants to spend evening after evening listening to music by obscure composers from Lithuania, Croatia, Iceland, Portugal or Turkey – to name just five of the countries represented – is another matter. Some of the invited orchestras and conductors are of second-drawer quality. Munich's musical life may have a strong Germanic slant, but it already caters for most tastes with a succession of visiting ensembles spread throughout the season. And do audiences really want to sit through 31 different versions of Euro-speak? On those grounds, Europamusicale risks turning into an expensive white elephant. A smaller-scale festival might have been more appropriate, with less compartmentalised programmes, fewer political overtones and a stronger chamber-music element.

The most attractive events are those which would have drawn an audience in their own right, without the festival setting. The only Dutch element in the Royal Concertgebouw Orchestra's concert, for example, is a short contemporary work, set alongside well-known pieces by Weber and Strauss. The Gothenburg Symphony Orchestra plays symphonies by Stenhammar and Sibelius. The Vienna Philharmonic brings a programme of Haydn, Bartok and Dvorak. Britain's contribution comes from the Royal Philharmonic Orchestra under Peter Maxwell Davies, whose Violin Concerto (György Pauk) is played alongside works by Holst and Vaughan Williams.

Tickets are available from Europamusicale tel 089-543 8134/ fax 089-538 9626.

EXHIBITIONS GUIDE

ANTWERP

Musée Royal des Beaux-Arts Jos Hendrickx: drawings of figures and stained glass windows 1906-71. Ends Sep 15. Closed Mon
Museum Mayer Van den Bergh The Triumph of Death (1626): a recently-discovered painting by Pieter Brueghel the Younger, on public show for the first time. Ends Dec 31. Closed Mon
Hessen House Story of a Metropolis: a portrait of the Golden Age of Antwerp in the 16th and 17th centuries. Ends Oct 10. Closed Mon
Onze Lieve Vrouwekathedral Antwerp altar pieces of the 15th and 16th centuries. Ends Oct 3. Daily
Middelheim New Sculptures: works by Richard Deacon and nine other international artists. Daily

BASLE

Kunstmuseum Picasso: drawings covering all periods of the artist's work, selected from the museum's collection and supplemented by loans from the Schaub-Tschudin Foundation. Ends Oct 10. Daily
Museum für Gegenwartskunst Rémy Zaugg (b1943): 150 large screenprints. Ends Sep 26. Closed Mon

BERLIN

Neue Nationalgalerie Beyeler Collection: an outstanding private Swiss collection of early 20th century paintings, including works by Monet, Picasso, Klee, Matisse, Miro and Giacometti. Ends Sep 12. Closed Mon

FLORENCE

Casa Buonarroti Michelangelo: 18 masterpieces. Ends Oct 30
Galleria del Costume di Palazzo Pitti Fashion at the Court of the Medicis. Ends Dec 31

FRANKFURT

Städel Gustave Le Gray and Carleton Watkins, Pioneers of Landscape Photography: a collection of large mid-19th century photographs of French and American landscapes, on loan from the Getty Museum. Ends Nov 7. Closed Mon

GENEVA

Musée d'art et d'histoire Egyptian Fabrics: a large private collection illustrating the techniques and richly-decorated styles which developed in the transition from the Coptic to the Islamic eras in Egypt. Ends May 1. Egyptian Blue: glazed earthenware from ancient Egypt. Ends Oct 3. Closed Mon

THE HAGUE

Mauritshuis Acquisitions: an exhibition devoted to paintings acquired by the museum over the past two years, including 17th century landscapes by Jan van Goyen and Bartholomeus Breenbergh. Ends Oct 17. Closed Mon

HAMBURG

Deichtorhallen Andy Warhol: 120 paintings and objects. Ends Sep 19. Ettore Sottsass (b1917): furniture, glass and ceramics by the influential Italian architect and designer. Ends Oct 24. Closed Mon

LAUSANNE

Musée d'Art Contemporain Jean-Michel Basquiat (1960-88): 100 paintings and drawings by the Brooklyn artist whose images often reflect the harsh realities of street life. Ends Nov 7. Daily
Fondation de l'Hermitage Monet and His Friends. Ends Sep 26. Closed Mon

LONDON

Hayward Gallery Aratjara: the most comprehensive exhibition of Aboriginal art ever seen in Europe. Ends Oct 10. Daily
Royal Academy of Arts Pissarro's Series Paintings. Ends Oct 10. Daily
Tate Gallery Edward Burne-Jones: sketches from the museum's collection, underlining the 19th century English artist's skill as a draughtsman. Ends Nov 7. Daily

MUNICH

Kunsthalle der Hypo-Kulturstiftung Dada: 150 paintings, drawings and collages by Marcel Duchamp, Man Ray, Max Ernst, Ribemont-Dessaigne and leading German exponents of the early 20th century precursor of Surrealism, augmented by a collection of posters and other documents. Ends Nov 7. Daily
Villa Stuck Max Beckmann: 190 prints, woodcuts and lithographs 1901-46 from private German collections. Ends Nov 14. Donald Judd (b1928): a collection of furniture designed by the American sculptor, illustrating his attempt to reconcile art and everyday life in minimalist form. Ends Oct 3. Closed Mon
Alte Pinakothek Homage to Caspar Wolf: retrospective of the late 18th century Swiss artist, whose Alpine landscapes capture the elemental power of nature. Ends Oct 24. Closed Mon
Lenbachhaus Idealism and Nature: 100 drawings and watercolours from the museum's collection of work by Munich artists from the period 1780 to 1850. Ends Oct 3. Closed Mon

NEW YORK

Guggenheim Museum Paul Klee: 60 works from the museum's own collection. Ends Oct 31. Rebecca Horn: first full-scale retrospective of the German artist. Ends Oct 1. The main museum is closed on Thurs, the SoHo site on Tues
Metropolitan Museum of Art Nudes: 30 works by Schiele, Klimt, Chagall, Picasso and Munch. Ends Oct. Closed Mon
Museum of Modern Art Marco Zanuso (b1916) and Richard Sapper (b1932): 20 objects from the years 1959-78 by the Milan-based industrial and architectural design team. Ends Nov 9. Gabriel Orozco: first US one-man exhibition by the Mexican sculptor and photographer. Ends Oct 18. Chuck Close (b1940): 15 large-scale screen prints. Ends Sep 28. Closed Wed
Whitney Museum of American Art Hopper in Paris: a selection of paintings completed during the three extended trips Edward Hopper took to Paris as a young man 1906-10. Ends Oct 3. American Art in Transition 1955-62: 140 works by 21 artists, exploring the evolution from Abstract Expressionism to Pop Art. Ends Oct 10. Closed Mon

STUTTGART

Württembergischer Kunstverein The Gardens of Islam: paintings, carpets, ornamental drawings, ceramics and fragments of the Koran, emanating from countries as far apart as Morocco and Indonesia, and evoking the diversity and exotic grandeur of traditional Islamic art. Ends Oct 31. Closed Mon
Galerie der Stadt Keith Haring (1958-90): 200 woodcuts, lithographs and drawings by the talented New Yorker who began as a graffiti artist. Ends Nov 7. Closed Mon

VENICE

Palazzo Grassi Modigliani: retrospective of the greatest Italian painter of the 20th century, with examples of his work from worldwide collections. Ends Jan 4. Daily
Fondazione Cini Francesco Guardi: retrospective of the 18th century Venetian veduta painter, whose free handling and atmospheric effects stand in marked contrast to the meticulous Venetian views of Canaletto. Ends Nov 21. Closed Mon

WASHINGTON

Walters Arts Gallery Art from Korea. Ends Sep 12. Kabuki Prints by Hirosada: designs by the 19th century Japanese printmaker, capturing climactic moments of favourite plays. Ends Sep 26. Artists of Ecouen: 25 drawings recording daily life in late 19th century France, by a group of artists eclipsed by impressionism and the modern movement. Ends Feb 6. Closed Mon
Phillips Collection A Dialogue with Nature: part three of a series devoted to nine contemporary sculptors. Ends Oct 10. Daily

Up for grabs

Raymond Snoddy on a price-cutting strategy at The Times

The public announcement that The Daily Telegraph newspaper was going to halve its cover price could not have been more unexpected. There had, of course, been a lively debate within the organisation over such a drastic step.

Some senior executives pointed to an intractable dilemma. To get a higher circulation, you might have to alter the content and make the paper less demanding. Do that and advertisers might not want to pay so much.

But the price-cutters, led by Lord Camrose, got their way. On December 1 1930 The Daily Telegraph reduced its price from 2p to 1p, joining the popular dailies and leaving The Times at 2p.

The result was phenomenal. In a month, its circulation jumped from 100,000 to 175,000, and two weeks later to 190,000, at least some of the gain coming from The Times. Thus was the future of the modern Daily Telegraph laid.

It is unlikely that anything so significant will happen on Monday when The Times cuts its cover price from 45p to 30p – and from 50p to 40p on Saturdays. Ironically, one of its targets will be The Daily Telegraph, price 48p on weekdays.

The move was personally authorised by Mr Rupert Murdoch, chairman of News Corporation which owns The Times, who has become convinced that newspapers may be too expensive. It will herald an autumn of intense competition in the broadsheet newspaper market in the UK.

The initial industry reaction is that Mr Peter Stothard, editor of The Times, and Mr Murdoch, must have gone mad. The common wisdom is that the price of newspapers – particularly broadsheet newspapers – is not a main factor in the decision to buy.

Mr Harold Lind, the newspaper consultant who has warned of declining readership, is not so sure. "I think it [The Times] has a sporting chance. Cutting the price of The Sun was silly," he said yesterday. In July, Mr Murdoch cut the price of his mass-market tabloid Sun from 25p to 20p for the summer, and has now extended the discount into 1994.

The difference between the two price cuts, in Mr Lind's judgment, lies in the distinct economics of tabloid and broadsheet newspapers. Only about 30 per cent of the revenues of newspapers like The Times comes from their cover price, with the rest from advertising. With popular tabloids the ratios are reversed.

"The Times' price cut amounts to only 8 or 9 per cent of total revenues," Mr Lind said.

Nevertheless, the cut is likely to cost News Corporation millions of pounds in lost revenue, particularly because payments to wholesalers and newsagents are being held at their old level, based on a cover price of 45p. The extent of the losses will depend on how many extra copies are sold and whether advertisers will pay more as a result.

"You get 50,000 copies ahead of the nearest competitor and it doesn't matter what the total circulation is. You are the cock on the dunghill," said Mr Lind.

The Telegraph is Murdoch's prime target: it has so many readers to try to lure away

Official average sales for The Times from February to July this year give The Times a circulation of 363,799, which represents a 6.5 per cent drop over the same period last year.

The Independent, price 45p, the closest rival of The Times, fell by 9 per cent to 343,308, while the left-of-centre Guardian, price 45p, held on to most of its circulation – 411,981, down 1.16 per cent. The Daily Telegraph fell 1.6 per cent to 1.2m, with The Financial Times, at 65p, down 0.67 per cent to 289,826.

Apart from Mr Murdoch's instinct and propensity for rejecting conventional business wisdom, he has been struck by the success of Lord Camrose in the 1930s. He is also relying on the results of a month-long price-cutting experiment in the county of Kent, which saw sales of The Times increase by an average 14 per cent, according to News Corporation.

A check of four representative wholesalers in Kent in the week ending August 15 found that The Times had increased sales by 12.5 per cent compared with the week ending July 31, when it was still at the old price.

In this check The Independent suffered worst – down 7.2 per cent, followed by The Guardian, which showed a 5.6 per cent loss. The Telegraph was much less badly affected, at 2.6 per cent down, and the FT was scarcely hit with a 0.7 per cent loss.

The number one target of The Times is clearly The Independent, which plans a relaunch with new sections at the beginning of next month and will almost certainly have to raise new finance later in the year. The paper reacted angrily to The Times' move and changed its front page to accuse Mr Murdoch of trying to put The Independent and the Independent on Sunday out of business.

The Guardian decided not to comment. The successors of Lord Camrose at The Daily Telegraph were dismissive and made it clear they had no intention of getting involved in a price war.

Mr Joe Cooke, managing director of The Telegraph group, said yesterday: "We think it's sad to see a British Institution in such an undignified state, marketing itself not as a paper of record, not for its wide coverage or fine writing, not even for its integrity but 'Buy Me, I'm Cheap'."

Mr Murdoch has identified The Telegraph as his prime target over the next decade because it has so many readers to try to lure away.

The hope at News Corporation is that the price cut will relatively quickly take the circulation of The Times above 400,000 again by winning back old Times readers, persuading occasional readers to buy more frequently, and poaching readers from other titles.

Apart from the other broadsheets, some new sales could come from readers of middle-market titles such as the Daily Mail and Daily Express, now 2p a day more expensive than The Times.

The price-cutting strategy was greeted with some scepticism in the City. Ms Lorna Tilbian, media observer at S G Warburg, the stockbroker, said: "I don't understand the policy. What they really ought to do is concentrate on the quality of the editorial rather than trying to turn a premium product into a commodity."

Unsavoury recipe for recovery

Germans are being asked to work harder and expect fewer benefits, says Christopher Parkes

Frills are out. White-collar staff at Daimler-Benz learnt this week that bonuses for having babies, bus and train fare subsidies and cheap personal loans have all been struck from company's time-honoured list of employee benefits. In future they will also have to pay for the frocks and suits usually worn by their offspring at confirmation or first communion, and customarily paid for by the company.

As all Germans will officially discover today, with the publication of a government discussion paper, Securing the Future of Germany's Economic Base, such challenges to the status quo may not in future be restricted to the occupants of Daimler's post-modern Stuttgart HQ.

The paper, compiled by Mr Günter Rexrodt, economics minister, says post-unification Germany, in its deepest post-war recession, will be able to afford fewer luxuries unless the country comes to terms with its economic and social failings; moreover, itspeople will have to work harder regardless.

The core thesis is that Germany – its people, its politicians, its industry and its institutions – is growing older ungracefully. The *Wirtschaftswunder*, the society that created Germany's post-war economic miracle, suffers increasingly from short-sightedness, sclerosis, arthritis and isolation from the realities of life in an increasingly borderless world economy.

What is incontestable is that Germany's population is aging rapidly. At present there are almost three people of working age for every pensioner. In about 25 years the ratio will be two to one and then deteriorate rapidly, the paper says.

Last year federal, state and local government benefits and subsidies accounted for the equivalent of 50.5 per cent of gross domestic product. This year, according to the BDI, the federation of German industry, the proportion will reach a record 52 per cent and, it adds, the country will be another step down the road towards becoming a state-controlled economy.

The paper says those in employment do not work enough and expect too much from their employers and the state. Business and society are over-regulated. The state and its agents are over-involved in business: the death throes of industries such as coal are eased with subsidies, to the neglect of research and the country's economic future.

As a cure, the Bonn government prescribes an extraordinary list of treatments: wholesale privatisation, deregulation, social benefits only for those in need, free enterprise kindergartens and a new education system. The labour market should be re-ordered to allow Sunday working, flexible hours and pay deals, and even, possibly, an end to the government monopoly on employment agencies. Shops should be allowed to open late. Restrictive practices in the guild-like trade organisations, which allow a qualified carpenter to build but not to plumb in a sink unit, must go, the paper says.

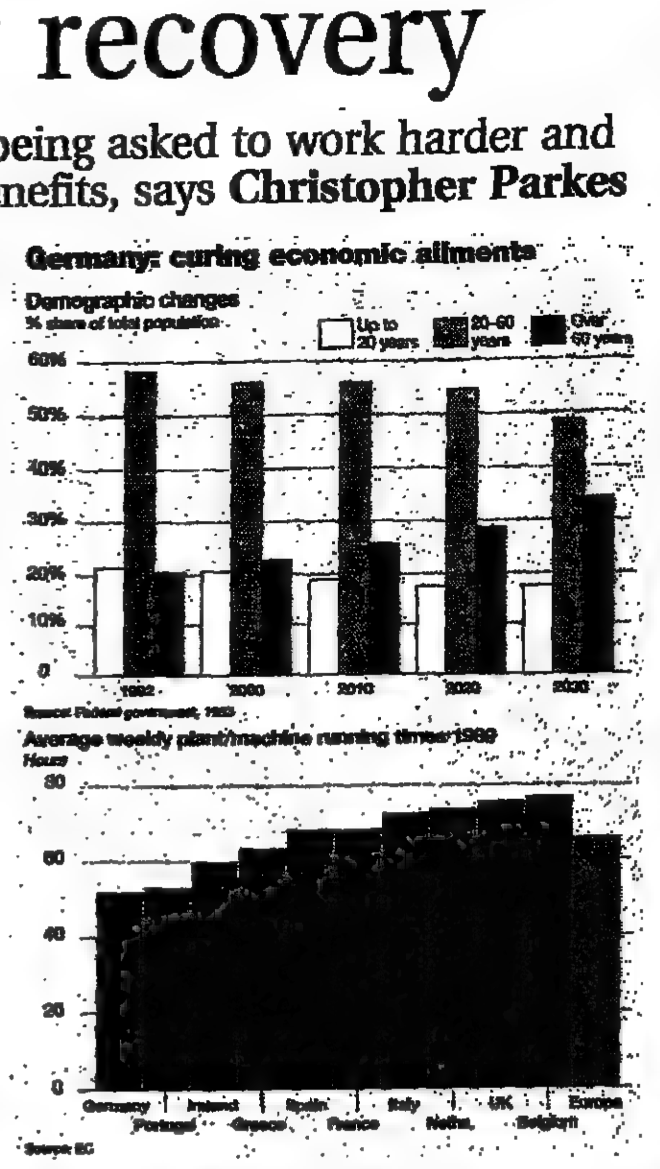
It is radical stuff in conservative Germany. But in more typical style, Bonn first of all wants a debate, appreciating that it has little chance of implementing changes without a wide-ranging consensus. "None of these themes lends itself to quick and conclusive treatment. But it is necessary to conduct the discussion." Mr Rexrodt writes.

The paper itself is alternately vague and admonitory and littered with obvious gaps where government colleagues have fudged or snipped out sensitive parts (a section proposing the dilution of pension rights was excised by labour minister Mr Norbert Blüm). The end result is more an emotional call to arms than a policy statement.

As Chancellor Helmut Kohl is likely to stress at the official launch today, the best way forward for Germany may be discovered by looking backwards. "The people in Germany were filled with courage and confidence during the post-war reconstruction. They were prepared to make efforts themselves and recognise the efforts of others," the paper says.

"They accepted technical progress which made life and work easier. . . They understood initiative, the competitive spirit. . . public-mindedness, solidarity, tolerance and humanity. . ."

With one of several extracts from the dictionary of Thatcherite rhetoric, it adds: "They did not only ask 'Who will help me?' but also 'Whom can I help?' They did not see only their rights but also their duties and responsibilities."



The discussion sought by Mr Rexrodt started even before his paper had been formally rubber-stamped by the cabinet. It was denounced from the left as "a declaration of bankruptcy" for Bonn economic policy. Industry , pleased to see many of its proposals included, murmured that it was a step in the right direction.

In truth, steps in the direction indicated have been going on for months. Industry has had particular success in bending union leaders to accepting formerly unthinkable deals. Robert Bosch, for example, the electronics-based group, earlier this year won agreement for Sunday working in a new semi-conductor factory. Its tactics could not have been more direct: either IG Metall, the union involved, accepted seven-day operations, or the factory would be built in Scotland.

Adam Opel, the General Motors subsidiary, struck another ground-breaking bargain with the same union. The pay-off was work for almost 500 making diesel engines in Kaiserslautern rather than one of half a dozen options outside Germany. The price was round-the-clock working for five days a week with Saturday maintenance work paid at normal rates, and an end to demarcation.

This week's cut in Daimler's employee benefits was another link in a growing chain of settlements in which workers have shown themselves prepared to see benefits eroded in return for job security.

As the 1994 pay round approaches there are already mounting signs that unions, after accepting an effective real pay cut for this year, will accept similar deals for next.

In all these instances, the lever applied implicitly or actively against union resistance has been the threat of rising unemployment. The threat of job losses will be put to work again in the next few months as wage negotiations get under way.

The government, too, has not been idle. By clamping down on prescription limits and raising patient contributions, it has engineered a sharp drop in the costs of the health service. At current rates, drug companies estimate spending on prescription drugs this year will fall DM7bn.

Bonn has also announced its so-called budget consolidation programme to take effect from next January: a combination of cuts in social and unemployment benefits – previously considered untouchable – and higher taxes, intended to cut the ballooning federal deficit.

But conditions are changing. The economy is by all accounts past the worst of the recession. As trade union confidence returns it may not be so easy in future for employers to tinker with time-honoured agreements, risking conflict and their company's precarious progress back to financial health.

Obstacles to the government's grand project are already visible. For instance Bonn talks bravely of privatising all its business interests as part ofits vision of a more deregulated economy. But most nationalised holdings – in banks, airports, car makers such as Volkswagen, water, electricity utilities and local transport – are in the hands of state or local governments, most of which have strong Social Democrat traditions.

Which leaves Chancellor Kohl more or less where he was at the beginning of the year. It was then, as the recession was biting and the true costs of unification were striking home, that he launched his programme for a "solidarity pact" between government, opposition, labour and capital, to collaborate to resolve the country's dilemmas.

The pact eluded him despite his fine words and good intentions. There is little reason to suppose that words will be effective this time - even words which once worked so effectively for Mrs Thatcher.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Flawed reflections on the Bush era

From Mr Doug Henwood.

Sir, It's been remarkable to watch Michael Prowse evolve into an ever more enthusiastic fan of American orthodoxy. In his two September 1 stories ("Life under Bush better than it seemed" and "Pace of US economic growth beats Wall Street forecasts") on the upward revision of 1990-92 GDP figures, he essentially argues that the 1992 election campaign was fought on premises now revealed as false: official statistics of the time badly understated the pace of growth in the year's second half, lending credence to Bill Clinton's indictment of George Bush's economic policies.

Since we now know that Bush's final year was nowhere near as stagnant as we'd thought, we have to wonder, Prowse asks, "why public perceptions of the economy were so weak". He answers his question by pointing to "dashed expectations" – even with revised figures, the recovery has still been slower than earlier business cycles.

This will not do. GDP may matter to pundits, but the average American couldn't tell you whether 2 per cent growth was strong or weak, or what the average growth rate for the first eight quarters of a recovery are. I'm no fan of Clinton, but he must be given credit for arguing throughout his campaign that the problems of the US economy are structural, not cyclical, and that prominent among these pathologies is the 16 per cent decline in real hourly wages over the last 20 years, when real GDP has grown 56 per cent.

The point can be put even more pungently. Since 1973, the time necessary for a worker paid the average hourly wage to earn the average household's yearly expenses has grown 43 per cent; to buy the average new house, 45 per cent; the average new car, 57 per cent; and to pay for a year at Yale or the University of California, 75 per cent. Clinton seems to have forgotten these facts; now, he takes his cue from the bond market, where deficit reduction is revered and wage growth viewed with fear.

Falling real wages, not the course of the statistical fetish known as the GDP, drive popular perceptions of economic weakness. Were political discourse in the US not so stunted, not so dominated by what Keynes called the "simple-minded maxims . . . one still reads in old-fashioned financial weeklies", then these issues might be more openly ventilated. New-fashioned financial dailies should know better.

Doug Henwood,
editor,
Left Business Observer,
250 West 85 Street,
New York, NY 10024

Into jargon

From Mr Peter Riches.

Sir, "Hogarth was likewise deeply into poetry" said Anthony Curtis in his book review ("Hogarth, high art, low life", August 28). It gave me a jolt. Your columns are remarkably free of jargon. I enjoyed the rest of the article very much, but coming across this horror was like snapping a tooth on an olive stone secreted in a sandwich.

Peter Riches,
2-17-16 Hatsudai,
Shibuya-ku, Tokyo, Japan

Where Mickey Mouse and French culture clash

From Dr M Purshouse.

Sir, I am surprised that your article on the problems at Euro Disney ("Mr Grumpy at the door", September 1) concentrates on purely technical reasons for the company's current difficulties. Although I have yet to visit the place myself, I have discussed it on several occasions with visiting French friends and business colleagues, and have been surprised at the consistency of their antipathy to the venture. What comes across is a strong feeling that the whole idea is alien to French culture, to the extent that they will have nothing to do with it. These same people would, I suspect, not hesitate to visit Disneyland or Disneyworld while *en vacances* in the US, where both would be clearly seen as integral parts and manifestations of the indigenous culture.

I suspect that Euro Disney and its shareholders may have to face the unpalatable fact that the decision to site Euro Disney in France, a country with, at best, an ambivalent attitude to the virtues of imported American culture, was a big strategic error. Perhaps the opening of Eurotunnel next year will make Euro Disney accessible to sufficient numbers of Anglo-Saxons to make a real difference to its fortunes. The UK would have provided a far more congenial home for Mickey Mouse and his relations.

M Purshouse,
4 Willow Avenue,
Lenzie, Glasgow G66 4RH

No proper recognition or advocacy for UK's scientists/engineers

From Dr Nicholas Cox.

Sir, I looked at the complex issues involved in John Authers' well-reasoned article ("Discipline in need of a better chemistry", August 28) wearing three different hats. I am a chartered engineer with more than a decade's experience in industry; I have just finished a management doctorate searching for better ways to support technical innovation; and I am at present an unemployment statistic finding few people interested in promoting technical innovation.

Industry seems to care little whether or not its engineers have science degrees, and even less about their innovative ideas. Those who speak for the engineering professions, despite some admirable advocacy, still lapse into complacency at times – witness the Engineering Council's lack of clear guidance on innovation.

As for government, its chosen solution seems to be to support science by cutting art – like some manic doctor who tries to increase the patient's red blood cell count by killing off the white cells that combat disease.

Perhaps the truth is that the rhetoric of blame is easier than the language of real action. We need to innovate – to promote new products, organisational changes, and "lean" manufacturing methods. Neither art nor science alone can provide the answer – we need the liberal arts to teach us to spot the rhetoric of inaction, just as we need science to allow us to replace it with real and effective action.

Nicholas Cox,
"Tea Rose Cottage",
2 Quarry High Street,
Headington, Oxford OX3 8JT

From Mr T Taylor.

Sir, In response to your leader, "Supply, demand and scientists" (August 31), and speaking as a scientist who has recently hung up his "test tubes" after 20 years in favour of a commercial career, I would maintain that Britain's decline in science and engineering has been taking place over the last three decades. The reason is a lack of financial rewards and opportunity for scientists and engineers to reach top positions in British companies and society. I have witnessed many scientists give up the battle to pursue a career through creative innovation and application of science. Job satisfaction doesn't pay the bills, and a society that has been through Thatcher's get-rich-quick era has left the scientist/engineer demoralised and disillusioned. The average scientist/engineer has been through a rigorous training and learning programme and, when less qualified and less able people are paid substantially more in commercial careers; they ask themselves "has it been worth it?".

Improvements in education are only part of the solution. Britain has to start to value its technologists by paying them more. Supply and demand laws do not appear to have worked for the scientist/engineer, possibly because Britain's technological base has shrunk; we have given it to countries which have a more enlightened approach about the role of industry in modern economies.

T Taylor,
29, Templar Close,
Sandhurst,
Camberley,
Surrey GU17 8JP

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Friday September 3 1993

Banks back on the road

AT THE start of the present decade the global banking system looked uncomfortably shaky. A plague of bad debts in real estate was eating away at the profits and capital of financial institutions in North America, Japan, Britain, Scandinavia and Australia. Rescues were multiplying and credit ratings tumbling. Only in continental Europe were banks largely unbothered by plunging asset prices and non-performing loans. Questions were raised about the ability of the banks to finance a global economic recovery.

Today the threat looks remote. Profitability, asset quality and credit standing are all on the mend in the English-speaking economies, as a succession of recent results from the banks have underlined. The banking system of Scandinavia, which came close to total collapse, has been stabilised. While pockets of trouble remain, the questions for policymakers are not so much about how to manage financial distress as the avoidance of a repetition. How can the improvement in bank profitability be secured over the longer run?

The conventional answer is that governments should maintain a long-term commitment to anti-inflationary policies, while ensuring appropriate prudential supervision and regulation at the micro-economic level. Yet this seems, at first sight, a mildly off-beam response after a disinflationary decade which left the bond markets ready to be convinced that the inflationary tiger had been caged. Moreover, the first attempt at global prudential supervision, in the shape of the Bank for International Settlements' new capital regime, has initially increased the pressure on troubled banks. So what, apart from the normal impact on profits of an economic downturn, was this banking crunch really about?

Permanent diminution

At one level there was a problem of industry structure. The loss of creditworthy clients to the security markets caused a permanent diminution in asset quality. At the same time deregulation encouraged the remaining corporate and personal clients to raise their borrowings. The banks, meantime, enjoyed new freedom to do business in both product and geographic areas with which they were unfamiliar. The classic instance was the Scandinavian banks' suicidal dash into the UK property market at its peak.

Against such a background macro-economic policy shocks were potentially lethal. The switch to money-supply targeting in the US in 1979 played a crucial part in bankrupting savings and loan institutions. Similarly, sterling's entry into the European exchange rate mechanism made a nonsense of the inflationary assumption on which most buyers in the British property markets had taken out their loans. Loose monetary policy in Japan after the Louvre currency agreement caused an unprecedented asset price bubble.

Adverse consequences

The implicit message is that none of the governments concerned had any clear idea of the potentially adverse consequences of their monetary policies for the banking system – any more than the ERM member countries intentionally set out to bolster banks' currency dealing profits when they embarked on policies that failed to convince the currency markets. There will always be unintended consequences of large policy shifts. Yet monetary authorities have also had their successes, notably in the US where the Fed was quick to recognise the deflationary threat posed by the banking system's troubles and adjusted the structure of interest rates accordingly.

One challenge for the central banks now is to find a way of reducing the banks' vulnerability to swings in asset prices. This is most obviously the case with Japan, where cross-holdings of bank equity leave banking capital subject to wild stock market fluctuations. But there is a wider need to find ways of preventing the property market from exerting such a mesmeric attraction on bankers who seek to expand their loan books with minimal effort.

But the banks themselves have to recreate a prudential culture capable of withstanding the strains of a more competitive environment. Rescues create moral hazard. If they are not to result in greater fiscal damage in future, bank management must acknowledge a duty to the taxpayer as well as the shareholder.

Competition in mobile phones

THE BRITISH government can take pride in its policy of injecting competition into the market for mobile communications. The decision to license Vodafone as a rival to Cellnet, BT's majority-owned subsidiary, in the early 1980s was largely responsible for the fast take-up of cellular services in the UK compared with other European Community countries.

Now the prospect of a new rival, Mercury one2one, launching its service later this month is causing the established duopoly to cut prices. Cellnet yesterday reduced the standard cost of calls made from London by 25 per cent and launched a new service which knocks a further 20 per cent off call charges in the capital. Vodafone made similar moves in June.

One2one is the first of a new breed of personal communications networks. PCNs, licensed in 1989, are a variation on cellular networks. The government's original aim in introducing competition to the cellular duopoly was to drive down prices so that mobile services were affordable to personal as well as business customers.

While the forthcoming launch of one2one marks a milestone in the government's pro-competition policy, the overall goal of a mass market for mobile services is a long way from being reached. Even following the recent price cuts, mobile services will be beyond the grasp of all but the richest personal consumers.

This is not because the costs of mobile communications are intrinsically high, but rather because low costs are not being fully passed through to customers. Vodafone's fat profit margins – it earned £322m pre-tax on sales of £664m in its last financial year – show the scope for price cuts. Tariffs could be halved and the company would still be virtually at break-even.

Careful adjustment

The casual observer could be forgiven for thinking that the new competition from one2one will quickly erode those margins. But the siutation is more complicated. What is taking place is not an all-out price war but a carefully calculated adjustment of the marketplace to absorb a new player. Although some prices are coming down, others are going up. For example, customers who subscribe to Cellnet's new service will make calls at 20p a minute from inside London but pay a punitive 50p a minute – double the normal rate – if they call from outside the capital.

The reason more vigorous price-cutting has not occurred is hardly a secret. Mercury has no interest in provoking a price war – at least until it is better established – and so is not pitching aggressively for the duopoly's lucrative business customers. Similarly, Vodafone and Cellnet want to keep their monopoly rents for as long as possible. Their responses to one2one are designed to segment the market, allowing them to compete for personal customers and sole traders, while not jeopardising their mainstream business client base.

Heavy-handed

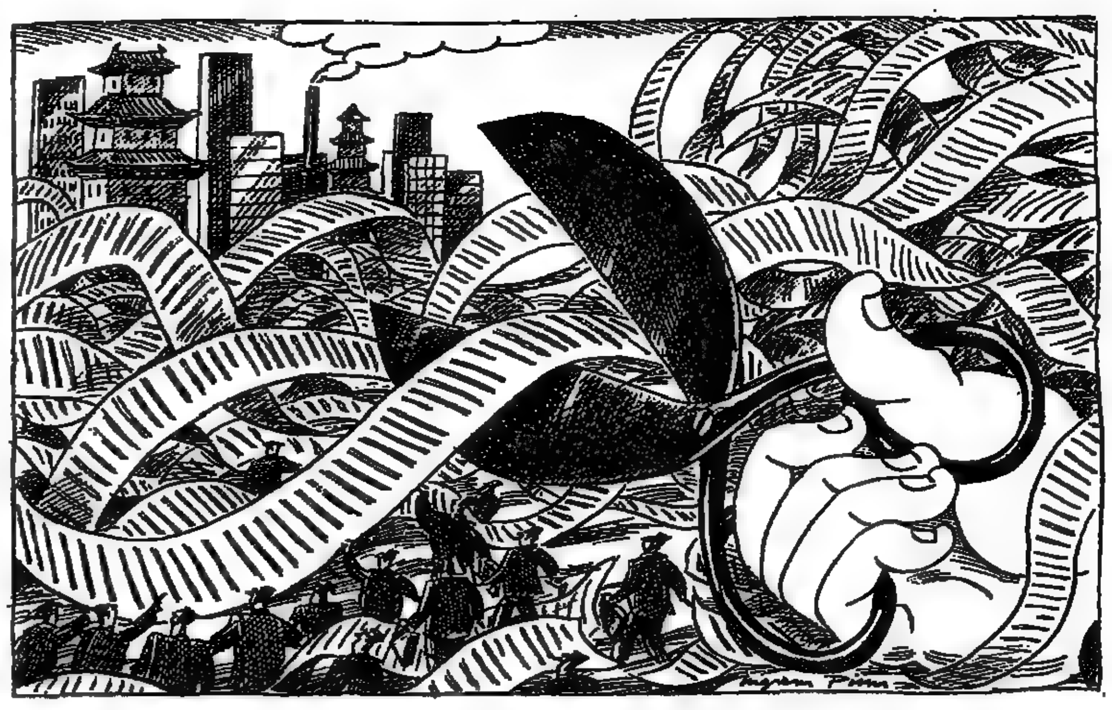
In such circumstances, it might seem tempting to reduce mobile service prices by regulatory diktat – through a price cap formula on the lines of that used to control the charges on BT's fixed network. But such a temptation should be resisted, at least for the moment, because heavy-handed regulation would get in the way of a fully competitive market.

There are two reasons for believing that in the long run a competitive market will develop naturally. First, the cost structure of the new PCNs is best suited to a mass market. One2one will therefore only be able to earn sufficient profits to justify its shareholders' investment by cutting prices to the level where they appeal to ordinary consumers. Second, the launch of a second PCN service, Microtel, scheduled for early next year, will provide a new spur.

Waiting for competition to develop naturally will undoubtedly take several years. But rather than seeking to deliver the fruits to consumers earlier through price regulation, the government should first see if it can make a competitive market work even better. The best way of achieving this would be for ministers to announce that the market was open to any further companies which wished to enter. Even if none wished to take up the offer in the short run, the possibility of new entrants would keep established players on their toes.

A snip at the tangle of red tape

Will Japan's government succeed in deregulating the economy, ask William Dawkins and Robert Thomson



Anybody wanting to understand the constraints on Japan's economy should try to open a supermarket. The aspiring retailer must read 17 laws and 45 administrative regulations, fill in 200 pages of application forms and wait perhaps 18 months for a reply, which could be No because a local small shopkeeper does not welcome fresh competition.

The cost of this frustration is heavy. Mr Isao Nakauchi, chairman of Daiei, a retailing group, reckons Y58bn (£364m) in extra sales could be generated annually by a relaxation of restrictions on store openings. But the costs to economic efficiency and to Japanese consumers, denied choice by over-regulation, are greater.

Mr Morihiro Hosokawa, the new prime minister, has recognised the problem. His seven-party coalition government has announced a hit list of 60 deregulation proposals, ranging from the easing of controls on new stores to freeing up satellite broadcasting. If he has his way, the impact on Japan will be great. Beer will be cheaper, taxi fares will come down, and Japanese television viewers will have more choice.

The deregulation drive is a Japanese version of the generally successful campaign against barriers to competition by the European Community and the US in the 1980s. Mr Hosokawa faces vested corporate interests and the powerful bureaucracy, which usually blocks changes that weaken its influence.

A sign of the challenge before the Hosokawa coalition is that the deregulation list was prepared by these territory-conscious bureaucrats, who inserted several contentious proposals rejected several times in the past decade. But Mr Hosokawa has pledged to introduce half of the measures by next March.

European and US companies and governments have a stake in the programme. If successful, it will allow easier entry into markets and remove, in some industries, a layer or two of a distribution system that increases costs and restricts the flow of new products.

A final plan will be presented to parliament on September 20, part of a package to stimulate Japan's flagging economy. A few days later, Mr Hosokawa addresses the UN assembly and meets US leaders, who will be told of action to encourage imports and reduce the overall Japanese trade surplus, up 17.6 per cent in the first half to $57.3bn (£38bn).

The package includes gas and electricity discounts for big industrial users, fewer controls on construction material imports and mobile telephone sales, an easing of restrictions on the freight weight of large trucks, an end to minimum production limits for brewers, which keep potential small producers out of the market, and fewer car roadworthiness inspections.

The difficulties of introducing these and other measures were summed up yesterday by Mr Kiyoshi Ishihara, a Tokyo taxi driver, whose Y600 starting fare could be Y500 or even Y400 if fares are liberalised: "Six years ago they started talking about deregulating taxi fares, and nothing has happened. We don't want it, and I don't think the Hosokawa coalition will last long enough to introduce it."

Mr Ishihara said the "timing is wrong", as taxi drivers have suffered a fall in income – in his case, about 30 per cent – with the slowing of the Japanese economy. Change to the old ways would require some form of compensation to taxi drivers.

Many of the proposals will meet similar opposition. Car makers have supported the roadworthiness certificate system, as they benefit from purchases inspired by the need for old cars to pass a test every two years, annually for cars more than 13 years old. Car repairers and parts suppliers have a similar interest.

Ending a cosy cartel and increasing competition means treading on toes, and toe-treading in Japan is done with shoes off. Affected businesses receive subsidies to compensate them for bruises, but only after long negotiation with the bureaucrats responsible and ultimately with the ministry of finance, which provides the funds.

For example, controls on opening large retail outlets will be relaxed under the deregulation proposals. In May 1990, Japan responded to US demands to amend the Large-Scale Retail Store Law, which covers stores of 500 sq m or more. The US idea was that large stores would have increased shelf space for imported products and new retailers would be less beholden to traditional suppliers.

To win approval for the changes, which took another year to be introduced, the Ministry of International Trade and Industry put together a Y162.1bn subsidy package for small retailers, who were able to use the funds for business promotions, including street fairs and pavement repairs. Three years later, despite a speeding of approvals for new large stores, small shopkeepers are still able to put obstacles in the way of ambitious retailers such as Daiei.

Will Mr Hosokawa be able to sidestep the vested interests or will deregulation be a flop? The consensus among economic and political observers is that, whatever the outcome of these proposals, the policy debate has been shifted, giving consumers benefits where producers' interests have long predominated.

Mr Hosokawa's reputation hangs on the outcome. He is famed for complaining that, as a provincial governor, he could not move a bus stop without approval from Tokyo bureaucrats. If he does cut a way through the thicket of opposition, the next government will be under pressure to follow the path of deregulation.

"We are at the start of a tremendous transition, even if we do not yet have a clear vision of what the new system will be about," says Mr Susumu Taketomi, chief economist at the Industrial Bank of Japan, a long-term credit bank. "The post-war system was rational, but no longer matches our maturing economy."

One of Mr Hosokawa's difficulties is the fragility of his seven-party coalition, already divided a month after taking office and expected to split within a year. The prime minister was told this week by one partner, the Japan Renewal party, to devote his energies to political reform and not to be distracted by economic or foreign policies.

Another partner, the Social Democratic party, formerly the Socialist party, is uncomfortable about deregulation. It has always supported small shopkeepers in preference to larger retailers, but the latter will profit from the proposals.

Individual politicians will be under pressure from local lobby groups to leave the laws unchanged. And it is easy to imagine why Japan's four big brewers might object to a proposal to end the present 2,000 kilolitre per year minimum production limit, as this would open the market to small breweries and foreign makers.

As the taxi driver explained, the economic timing may be wrong. Deregulation tends to drive up unemployment by killing inefficient companies before stimulating economic activity, which the EC found when introducing single market programmes. A senior EC diplomat said then: "The first thing that happens when you introduce level playing fields, is that the weak teams get beaten faster."

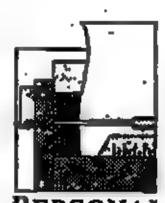
Mr Tom Hill, strategist at S G Warburg Securities in Tokyo, expects implementation to be slow: "In the long term, the economic case is impeccable. But the short-term danger is that deregulation will introduce a dose of deflation at a time when the economy is already in the grip of deflationary forces."

But Mr Hosokawa does have support from Keidanren, the federation of economic organisations, which is demanding deregulation and has even criticised the government's proposals as inadequate, producing 30 suggestions of its own. It wants the removal of import tariffs for car parts, direct rice sales between growers and shops, cutting out the middlemen, and a reduction in subsidies for dairy products.

The list reflects the complaints of larger Japanese companies facing higher costs than foreign, especially Asian, competitors. These companies are burdened by a strong yen and, under extreme pressure to cut costs, have concluded the benefits of deregulation outweigh the costs.

Having drafted a package, the government must now carry out the proposals. Sceptics should remember that the collapse of Liberal Democratic party rule after four decades came as a surprise to most Japanese. In this giddy atmosphere, the previously impossible is up for negotiation.

No case for independent central bank



PERSONAL VIEW

The idea of an independent central bank has become exceedingly fashionable. At present it is a sine qua non for taking part in any European Monetary Union and it advocated in the UK by a vocal element of the economic establishment.

The simplest argument in favour is that politicians manipulate monetary policy to win elections, or are prone to taking the soft option. As all loose money does is to cause inflation, it is better to take monetary policy out of party politics. Yet while loose money generally just causes inflation, too-tight money does more than cause price deflation; it causes recession with often permanent effects on the economy.

If Mr Paul Volcker, when chairman of the Federal Reserve Board, had let US banks and the government of Mexico go bust in 1982 by maintaining tight money, are we really to believe the world would have been the same a few years later except for a lower price level? The belief that monetary policy is always "neutral" in the long run, and affects only the price level, is implausible.

If, nonetheless, monetary policy can be taken out of politics, why not take fiscal policy out too? In fact, there is much more international evidence of fiscal policy being manipulated for electoral ends than is the case with monetary policy. Yet no-one proposes that fiscal policy should be put in the hands of independent functionaries.

A more subtle argument depends on the idea of credibility. Politicians may mean to keep inflation down, but other economic agents, especially in financial markets, know they have an incentive to inflate before elections. Accordingly inflation expectations, and the costs of controlling inflation, will be higher than in the case where the monetary authority is not thought to have any such incentive. An independent central bank will have different incentives from politicians so its anti-inflationary policy will be more credible and less expensive in terms of lost output than that of the toughest politician.

As an argument that is plausible but how important is it? The Bundesbank, for all its credibility, has had to induce a substantial recession in Germany this year in order to reduce inflation.

We are left with the argument that, given an independent central bank, financial markets would expect lower inflation so nominal and real interest rates would be lower. What is that worth? In New Zealand the Reserve Bank was made statutorily independent in 1990 and followed a tough policy, bringing inflation down to about 1 per cent. Meanwhile, in Australia, the Reserve Bank, which is not independent, followed an equally tough policy and brought inflation down below 1 per cent. The "sacrifice" of output in New Zealand was no less than in Australia. Indeed, New Zealand GDP is little higher in real terms than in Australia – and a little higher in real terms than it was in 1985. Since 1989, however, New Zealand 10-year bond yields have been generally lower than Australian ones, whether measured in real or nominal terms. Of course, many other factors have been at work but let us ascribe the difference to a premium on central bank independence. The current difference in nominal yields is 40 basis points (0.4 percentage points), and in real yields about 20 basis points.

Calls for independence have more to do with politics than with economics

So there it is. If you abandon democratic control over monetary policy, after a year or so you probably get a quarter to half of one per cent off government bond yields.

If the advantages are so nebulous, why are increasing elements of the establishment calling for an independent central bank? The reasons have more to do with political philosophy than with economics. In the liberal tradition, fear of government tyranny is paramount. People of this persuasion advocate explicitly limited powers for government. For them, the evidence for an independent bank does not have to be strong at all.

An alternative tradition stresses the importance of democratic process and of accountability to the electorate. While not wanting government to be omni-competent, it prefers a system where elected representatives determine policies, and are responsible for them with fewer restrictions on the capacity for radical change. For this tradition, it would need to be clear beyond doubt that an independent central bank delivered large benefits before it could approve the weakening of democracy that such independence implies. The delphic evidence available so far is not remotely enough.

Gerald Holtham

The author is chief economist at Lehman Brothers International and an affiliated professor at London Business School. His article is based on his recent publication, "Economic Integration after Maastricht", Institute for Public Policy Research.

OBSERVER

Language of the legion

When Hong Kong Taipan Simon Murray graduated from the university of life with first class honours, he could hardly have expected that his barrack room language would help smooth his passage.

In his youth Murray decided to see the world rather than complete his A-levels, and joined the Foreign Legion – where the lingo in the barracks was German.

Subsequently, he shot up the Hong Kong corporate ladder, moving from selling loo seats for Jardine Matheson to juggling corporate assets as managing director of the colony's largest conglomerate, Hutchison Whampoa.

Now, after nine years at the top of Hutchison, it appears he is about to launch himself into the rather more sober world of banking as head of the entire Asia Pacific operations of Deutsche Bank.

His German – still serving him well, he says – should prove useful on his frequent commute to Frankfurt. But it is not the only benefit of being a Legionnaire: "I have been dining off the Foreign Legion story for a good 30 years."

Dangerous game

■ Even non-musical Lloyd's underwriters have more than a passing interest in the progress of the international tour of pop-star Michael Jackson, especially after events in the Far East earlier this week.

Promoters of the tour are insured against any losses caused by Jackson cancelling to the tune of $20m, through a policy brokered in London by C.E. Heath and placed with a number of Lloyd's syndicates and other international insurers. Heath is a market leader in the esoteric field of "non-appearance" insurance, a risk for which insurance types regard Elton John as well-nigh uninsurable.

Mark to market

■ Tell a City trader or analyst that Britain works from 9 to 5 and they will laugh wearily in your face.

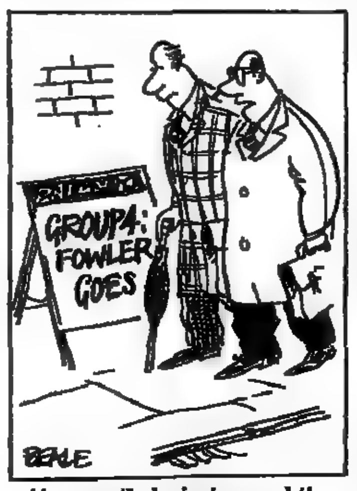
The image of the UK as a nation of late-risers has not been up-to-the-minute for some time. Just recently, the Central Statistical Office stepped up the pace by bringing forward the release time for important facts and figures to 9.30 am from 11.30 am. But surely it is the thin end of the wedge when the Bank of England's directors succumb to the early-bird revolution?

Since the beginning of this week, "Books", the daily meeting in which Bank directors discuss events and policy, has been held at 8.45 in the morning compared with 11 o'clock previously.

There are no prizes for guessing that Eddie George, the Bank's Stakhanovite new governor, was the moving force behind this change. As a markets man first and last, he could see the advantage of getting the directors together just after financial markets have opened and before the Bank's money- market operations get under way around 10.

The early start marks a big change – Books has been held around elevenses since time immemorial. But Bank insiders are anxious to dismiss the impression of bleary-eyed directors struggling out of the shower to make the meetings.

"Directors have been getting in for that time anyway and now are pleased to have a clear morning afterwards," puffed one loyal official yesterday.



'Apparently he just opened the door and walked out'

Some sum

■ Reassuring news from the Central Statistical Office yesterday, which reveals that Britain's families were forking out 5.8 per cent more of their hard-earned pennies in 1992 compared with the previous year, despite all that recession doom and gloom. But take a look at the price of accessing this little gem.

The 1992 Family Expenditure Survey report itself costs £24, a tidy 17 per cent more than last year. Seeing that the latest figure for the retail prices index, whose weightings are calculated largely from this very survey, was July's year-on-year increase of 1.4 per cent, the CSO seems to have a slight statistical anomaly to explain away.

Newsance

■ The Times' decision to sink its cover price by a third makes the life of John Dux, managing director of News International but also chairman of the Newspaper Publishers Association's anti-VAT committee, a little harder.

In the latter position, where of course he speaks for the entire industry, Dux will have to remain nimble on his feet if he is to persuade the chancellor that an imposition of up to 17.5 per cent value added tax on the press at the next budget would be detrimental to circulation when one newspaper can afford to cut 33 per cent in the race to discomfort the opposition.

Orange alert

■ Investment bankers, perpetually worried that their most valuable asset – the brainpower of their staff – will be pinched by the opposition, have recently taken to enhancing protection for the craniums of those still faithful.

NatWest Markets has begun issuing everyone with hard hats, to be kept handy under the desk at all times.

Contrary to the theory in the staff canteen that the head-gear is colour-coded according to seniority, one mole reveals that designated "marshals" are assigned white ones, while the rest wear what he describes as "a rather ghastly orange".

Far side

■ Spotted among the public notices of the Sutton Coldfield Observer: "The priest of the Greek Orthodox Curch, St Constantine and St Helen, would like to see all people who have graves in the churchyard. Station Road, Erdington."

FINANCIAL TIMES
Friday September 3 1993

Drug stocks rise as US rejects price controls

By Michael Prowse in Washington and Patrick Harverson in New York

SHARES in drug and medical services companies rose sharply on Wall Street and in Europe yesterday after reports, later confirmed, that President Bill Clinton would not impose mandatory price controls on the health industry as part of his healthcare system reforms.

Some analysts had feared the Clinton administration would impose short-term price controls to prevent drug companies profiteering during the phasing in of the reforms, a process that is not expected to be completed until 1998. The reforms are due to be unveiled later this month.

Later yesterday Mr Clinton confirmed that he would not seek even temporary price controls and would instead urge drug companies to restrain price increases voluntarily. "I've never embraced them. I've never been particularly hot on price controls," he said.

By midday in New York, Merck had risen $1¾ to $32⅞, Schering-Plough $3 to $63⅛ and US Healthcare $3 to $47⅛. In London Glaxo, Zeneca, Wellcome and SmithKline Beecham all advanced in the face of a weak London market, a pattern repeated in Zurich pharmaceutical stocks.

The White House also confirmed that it intended to move rapidly to extend health insurance to the whole population. It said the reformed healthcare system would be operating in some states by 1995. There would be a firm deadline of December 1997 for other states to join the new system. At present, about 37m Americans lack health insurance.

Officials also confirmed that the extension of health insurance would be financed mainly by limiting the rate of growth of existing federal healthcare programmes. There would be an increase in "sin" taxes, for example on cigarettes, but no significant increase in the overall tax burden. This reflects opposition to higher income taxes in the budget signed last month.

Mr Clinton is also expected to propose a limit on the annual rate of increase of private health insurance premiums. This would indirectly limit the ability of drug companies, hospitals and physicians to raise prices because purchasers of care would be subject to tighter overall budget constraints.

The main innovation envisaged is a shift to a form of "managed competition". The White House will propose that most people buy health insurance through large purchasing co-operatives known as "regional health alliances".

The hope is that these bodies would use their market power to obtain high quality care at the lowest possible prices from competing groups of healthcare providers in the private sector.

Sharply stronger D-Mark squeezes the dollar

By James Blitz in London

THE D-MARK strengthened sharply against most currencies yesterday, amid increasing concerns about the pace of economic recovery in the US and a growing belief that Germany will lower its short-term interest rates more slowly than had been expected.

In recent days, there has been consistent buying of D-Marks in the international currency market, after the Bundesbank's decision last week not to reduce its discount rate.

Yesterday, the pressure on the dollar intensified, pushing it well below last year's peak for the dollar/D-Mark exchange rate.

The Belgian authorities also appear to have triggered a new bout of pressure on currencies in the more relaxed ERM by raising their short-term interest rates in an attempt to keep the Belgian franc pegged closely to the German currency. The Belgian central bank raised its central interest rate from 9.5 per cent to 10.5 per cent.

However, the tightening of monetary policy was viewed negatively by currency dealers on the same day that the country's national statistics institute announced a rise in unemployment from 13.5 per cent in July to 14.1 per cent in August. The latest figure compared to 12.1 per cent in August 1992.

The franc came under strong pressure, falling to a low of BFr21.55 against the D-Mark. It later closed at BFr21.49. The Belgian authorities intervened to support the currency, saying they had spent BFr3bn, although dealers said this was a conservative estimate.

Elsewhere in Europe, the French franc dropped from FFr3.507 to a close of FFr3.522 against the D-Mark.

The Danish krone dropped from DKr4.11 to DKr4.14. Sterling dropped from DM2.5025 to DM2.4750. The ERM grid was at its most strained since last month's widening of the system's bands.

The dollar closed at DM1.6490 from a previous DM1.6595.

Belgium raises rates, Page 2
Currencies, Section II

Clinton says US is ready to order air strikes in Bosnia

By George Graham in Washington and Gillian Tett in London

US president Bill Clinton yesterday warned that the US remained ready to order air strikes in Bosnia if the warring factions continued to block humanitarian efforts following the breakdown of peace talks.

Speaking in Washington, Mr Clinton said that if there was "abuse by those who would seek to interfere with humanitarian aid, attack the protected areas and resume the sustained shelling of Sarajevo", the Nato military option remained "very much alive".

The warnings came amid signs that American officials were seeking to step up the pressure on the Serbs and Croats who rejected Moslem demands in Geneva for further territorial concessions.

Officials in Washington said the US supported the three principal demands made by the Bosnian Moslem government of President Alija Izetbegovic for changes to the division proposed in Geneva: a sea outlet for the Moslem territory at Neum, an enlargement of the Moslem enclave around Bihac in north-western Bosnia, and a land corridor linking the eastern enclaves to the main Moslem territory.

However, Mr Clinton said he believed the peace talks had stalled, not collapsed, and the US would "do everything it can in the next few days to get the parties to resume the talks in good faith".

Mr Douglas Hurd, British foreign secretary, echoed the warning, arguing that air strikes remained a possibility if the Bosnian Serbs or Croats attacked UN forces or resumed the bombardment of the Bosnian capital.

The three sides pledged yesterday that they would try to enforce a ceasefire among their troops.

Details, Page 3

Kohl urges old values

Continued from Page 1

the structural weaknesses exposed first by unification with the former East Germany and latterly by the onset of recession.

This year federal, state and local government spending is expected to account for 52 per cent of gross domestic product, compared with 48 per cent before unification.

Proposals include the targeting of social benefits on those most in need, tenancy law reforms to encourage private investment in housing, and a shortening of the time most children spend at school from 13 to 12 years.

The paper says the state should withdraw from all services where experience elsewhere showed the private sector can perform better: transport, water, power, rubbish collection and housing.

PLO seeks to placate allies

Continued from Page 1

ing a joint "agenda" with Israel during the present session of the Washington talks. Syrian negotiators in Washington yesterday said they hoped they could reach preliminary agreement with Israel next week.

Meanwhile, in a sign of the potential for violence in the occupied territories, Palestinian gunmen yesterday shot dead an Israeli soldier and slightly wounded another in the West Bank. Israeli officials blamed the attack on fundamentalist Islamic militants.

RJR expects 43% fall in tobacco income

Continued from Page 1

put a firm figure on the cost of the price war, although its reduction is broadly in line with the 40 per cent fall in 1993 US tobacco earnings forecast by Philip Morris at the time of the price cut.

RJR attributed the drop in its income both to the general decline in tobacco sales revenues and one-time costs involved in the price reductions, such as adjustments in the price of cigarette inventories it had sold before the Marlboro move.

Another factor behind the group's lower 1993 results would be a rise in short-term interest expense, RJR said. This was because it had temporarily used the proceeds from recent senior debt offerings to reduce lower-cost bank debt, though it eventually planned to use the proceeds to pay off higher cost debt.

Mr Charles Harper, RJR's new chairman, said that despite the changes in the US tobacco market, the company would generate "good cash flows that will enable us to continue investing in business building activities, including acquisitions". Fitch Investors Service, the credit information agency, affirmed its ratings of the group's debt, though it changed the company's credit trend to declining from stable.

THE LEX COLUMN

Doing it the Stein way

A generation at the head of a public company must leave an indelible impression on both the chairman and the chair. Mr Cyril Stein, who is to retire as Ladbroke's chairman at the end of the year, has worked a near-miracle in building the company from a small bookmaker into a FT-SE 100 company. The question now, however, is whether Mr Stein really has the self-discipline to let go, and whether the management team, which bears his mark, can take up the challenge.

If Mr Stein does fade into the background – despite his non-executive directorship, a continuing role in the property division and promise to be a feature of head office life – the way is open for change. Most obviously, Ladbroke can take the opportunity to cut the final dividend in March, stemming its cash outflow and putting the payout back into line with the prospects for the business. The current yield on the shares implies that few believe the dividend is sustainable: a cut would probably be seen as a welcome return to reality.

Given its head, the management might also be tempted to clear out any remaining problem areas. That would smooth the way for a rights issue next summer, easing the strain on the balance sheet. However much that means shareholders paying for previous management overambition, it would allow the company to focus on its businesses instead of its finances. Ladbroke's markets will remain tough. DIY competition will continue to intensify, property will remain sticky in all but prime sites, hotels will continue to demand capital investment, and racing faces a threat from the national lottery. The worry, however, is that Mr Stein's influence may prevent the necessary action.

FT-SE Index: 3072.6 (-12.5)

Bowater

Share price relative to the FT-A All-Share Index

Source: FT Graphite

Rolls-Royce

Since Rolls-Royce made great play of its strong balance sheet when it cut its dividend in March, it is perhaps a little surprising to find the same directors announcing a rights issue six months later. In part, it can be explained by the fact that Rolls' balance sheet, while perfectly formed, is small. The more sinister explanation, however, is that cash is flowing out of the company at a worryingly high rate, as the business is rationalised, customers defer orders and stage payments, and working capital and stocks rise. While the company insists that the situation is under control, raising £307m certainly buys a fair amount of insurance. The pain of the downturn is thus being felt by shareholders. That might feel a little more palatable if investors had enjoyed the full fruits of the upturn. Yet Rolls used that opportunity to build market share on very thin margins – a strategy which has yet to yield higher margin follow-on or spares business. The capital expenditure programme to update and expand the range of engines continues to prove expensive. Rolls may have little choice if it is to remain competitive. However reassuring its order book, the business is balanced on a thin base when compared to giants such as General Electric. Yet that places investors in a difficult position. Rolls' shares have struggled to rise above the issue price for most of the time since flotation. Yesterday's action is unlikely to change that.

Bowater

In marking Bowater's shares down by 4 per cent, the market revealed extraordinarily suspicion of yesterday's cautious trading statement. The chances are that it simply reflects straightforward reporting by its scrupulously correct management. If the softer markets to which it referred reflect a blip in US confidence and destocking in the European cosmetics industry, the statement has little negative bearing on the future trend. If the situation is more serious, Bowater is in a strong position to cope.

Rights issues have raised £857m for Bowater since 1987. But the money has been spent on acquisitions which have moved it decisively into the higher value-added end of packaging, while leaving gearing of less than 50 per cent. Group operating margins have increased by five points to 8.8 per cent since 1987 despite the recession.

If the economic recovery were to falter, Bowater should regain its appeal as a defensive stock. If it continues, its operational gearing alone should secure decent profits growth. A lingering uncertainty is UK policy on waste recycling, though any new legislation is less likely to affect growth areas such as medical packaging. The tissue business also sits badly in the new Bowater, but cannot be sold without its former US partner, Scott, having first refusal. Given Scott's stretched balance sheet, a disposal may be some time coming. Bowater can afford to wait.

Sun Alliance

With insurance shares trading at a handsome premium to net asset value, woe betide the company which does not deliver growth in shareholders' funds. While the underwriting recovery at Sun Alliance during the first half is in line with the competition, investment gains were washed away by goodwill write-offs and declining property values overseas. For those who regard Sun as a geared play on rising UK equities, that is especially disappointing. The 5 per cent fall in the shares reflects as much.

With its balance sheet strengthened by investment gains since the half year, and the promised preference share issue to come, Sun will doubtless maintain its heavy weighting in UK equities and property. Its following should thus be undiminished despite yesterday's setback, at least among investors who believe a new era of asset price inflation is around the corner. For those less bearish on inflation, though, the question is whether investment gains will be frittered away by mistakes on the insurance side.

The acquisition of Denmark's Hafnia, which gave raise to half the goodwill write-off, looks safe enough. The investment should show a decent return if promised rate increases and cost savings come through. Being forced to buy out the minority from Swinton at a price agreed two years ago is more of an embarrassment, especially since the high street insurance broker is now trading at a loss. It will take firm action to avoid a mishap on a par with insurers' attempts to buy distribution through estate agents.

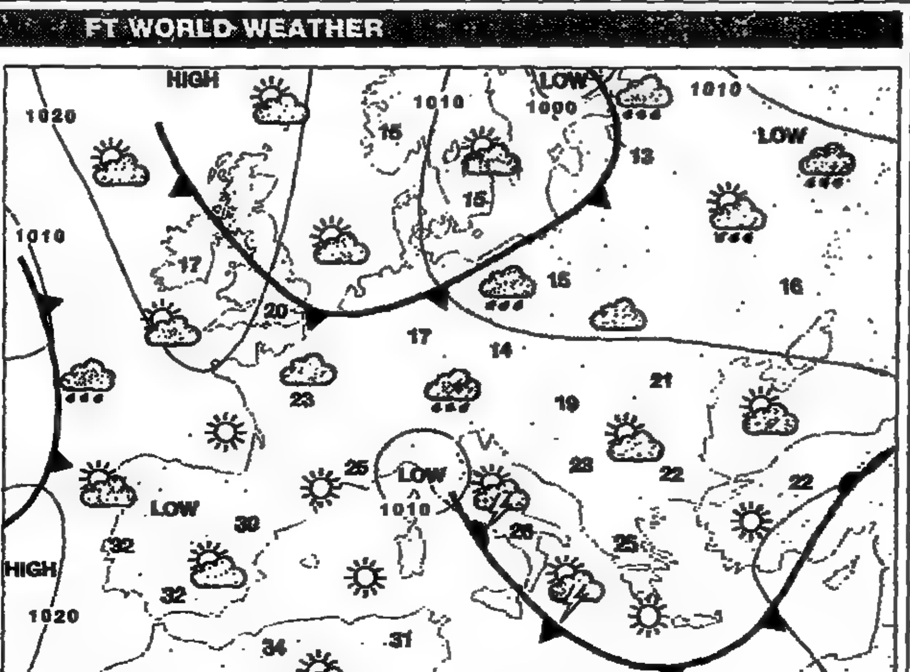
FT WORLD WEATHER

Europe today

Most of Scandinavia will be overcast as a result of a depression over Finland. Rain will fall over Finland and the west coast of Norway. The Low Countries and Scotland will have a few sunny breaks, but elsewhere in north-western Europe it will be cloudy with some patchy rain. Eastern Europe and the Alps will be rainy with unseasonably cool afternoon temperatures. Low pressure over northern Italy will produce showers over the whole country. The Balkans will have sunny intervals, but this evening some thunder showers may form over the former Yugoslavia and Hungary. Spain and Portugal will be rather sunny and mainly dry with afternoon readings up to 33C in the south.

Five-day forecast

The British Isles will have sunny intervals and mainly dry conditions this weekend. Next week will be cloudy with outbreaks of rain. Northern, central and eastern Europe will continue cool, with rain especially this weekend in the east. Next week, sunny intervals will dominate and temperatures will rise to more seasonal values. South-west Europe will continue warm and mainly sunny. The south-east will have showers and some thunder.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	41
Accra	shower	29
Algiers	sun	34
Amsterdam	cloudy	17
Athens	sun	26
B. Aires	fair	17
B.ham	cloudy	19
Bangkok	cloudy	32
Barcelona	fair	27
Beijing	fair	30
Belfast	cloudy	17
Belgrade	cloudy	23
Berlin	rain	16
Bermuda	fair	31
Bogota	cloudy	19
Bombay	rain	26
Brussels	rain	18
Budapest	cloudy	19
C.hagen	rain	17
Cairo	sun	34
Cape Town	fair	17
Caracas	shower	29
Cardiff	cloudy	17
Chicago	fair	29
Cologne	rain	17
D' Salaam	thund	28
Dakar	fair	30
Dallas	fair	31
Delhi	shower	28
Dubai	sun	39
Dublin	fair	18
Dubrovnik	fair	23
Edinburgh	fair	18
Faro	fair	27
Frankfurt	rain	19
Geneva	fair	19
Gibraltar	sun	29
Glasgow	fair	17
Hamburg	fair	15
Helsinki	rain	13
Hong Kong	cloudy	30
Honolulu	fair	30
Istanbul	fair	22
Jersey	cloudy	17
Karachi	cloudy	34
Kuwait	sun	45
L. Angeles	fair	26
Las Palmas	sun	27
Lima	cloudy	20
Lisbon	fair	26
London	cloudy	20
Lux.bourg	rain	17
Lyon	fair	21
Madeira	fair	25
Madrid	fair	33
Majorca	sun	30
Malta	fair	29
Manchester	cloudy	18
Manila	cloudy	30
Melbourne	fair	15
Mexico City	thund	21
Miami	thund	32
Milan	shower	22
Montreal	shower	25
Moscow	rain	12
Munich	rain	16
Nairobi	cloudy	24
Naples	shower	26
Nassau	thund	31
New York	fair	31
Nice	sun	24
Nicosia	sun	30
Oslo	fair	18
Paris	cloudy	21
Perth	cloudy	17
Prague	rain	14
Rangoon	cloudy	29
Reykjavik	fair	14
Rio	cloudy	25
Riyadh	sun	42
Rome	shower	25
S. Frsco	fair	25
Seoul	rain	29
Singapore	shower	30
Stockholm	cloudy	13
Strasbourg	cloudy	20
Sydney	fair	15
Tangier	sun	26
Tel Aviv	sun	30
Tokyo	rain	28
Toronto	shower	25
Tunis	sun	30
Vancouver	sun	24
Venice	shower	21
Vienna	rain	18
Warsaw	rain	15
Washington	fair	33
Wellington	windy	11
Winnipeg	shower	19
Zurich	cloudy	18

FINANCIAL TIMES
COMPANIES & MARKETS

Friday September 3 1993

INSIDE

Ahlstrom places Enso-Gutzeit stake

Ahlstrom, the Finnish machinery and paper group, has placed its 17.5 per cent stake in Enso-Gutzeit, one of Finland's leading forestry groups, with international investors in a FM1.45bn ($246m) deal. Page 18

Canadian banks improve

Canada's two biggest chartered banks, Royal Bank of Canada and Canadian Imperial Bank of Commerce, have reported much improved results for the third quarter, despite property and corporate loan problems. Page 18

Ladbroke chief retires

The Ladbroke group, the UK leisure group, announced the retirement of chairman Mr Cyril Stein, who has headed the group for 37 years. The group announced an unchanged 4.92p interim dividend for the half year despite a fall in pre-tax profits to £62.5m ($94.4m). Page 18; Lex, Page 16; Stein dismounts, Page 22

Avon to fall short

Avon Products, the US cosmetics, toiletries and jewellery group, warned that third-quarter earnings would fall short of its results in the same period of 1992, but remains optimistic over full-year results. Page 20

Browning-Ferris merger

Browning-Ferris Industries, one of the biggest US waste management companies, is to acquire Western Waste Industries in a share-swap deal valued at about $520m, including the acquisition of Western's debt. Page 20

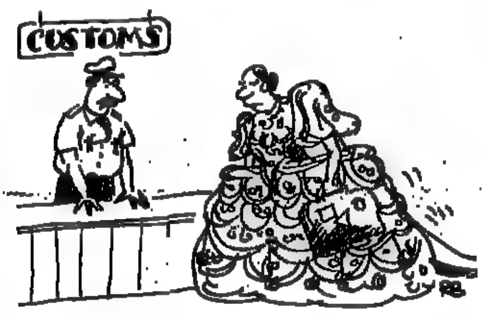
Vickers ends losing run

Vickers, the UK engineering group, has ended two years of losses by making a pre-tax profit of £8.3m ($12.5m) in the first six months. Rolls-Royce Motor Cars, its luxury cars operation, was "on track to break even" in the full year. Page 22

Bowater shares plunge

Bowater, the UK packaging, print and coated products group, saw its shares close down 21p at 494p, in spite of revealing an increase in interim profits from £82.4m to £102.6m ($154.9m), after it warned that it had seen some softening of demand in the last two months. Page 24; Lex, Page 16

Smooth talkers



The Indian silk trade wants the government to impose more restrictions on imports of Chinese silk. Page 30

Norway has a way to go

Many analysts believe Oslo equities have some way to go before they become fully priced. Even the shadow cast over the market by the six-year bank crisis has been blown away by strong first-half results from the sector. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Bayer	307	+	7.4
Berliner Bk	391	+	17
GEHE	445	+	11
Volkswagen	379.5	+	11.9
Falls			
Bil & Berger	925	-	15
Goldschmidt	630	-	20

NEW YORK ($)

Rises			
Merck	32¾	+	1¼
Pfizer	64¾	+	2
US Healthcare	47¼	+	3
Western Waste	21	+	4
Falls			
Avon Prods	54⅞	-	4⅝
Browning Ferris	23¾	-	1¼

New York prices at 12.30.

PARIS (FFr)

Rises			
Eaux Cie Gen	2818	+	68
Geophysique	887	+	27
Intertechnique	609	+	39
Falls			
Accor	680	-	13
Bancaire Cie	536	-	23
Taittinger	2182	-	118

TOKYO (Yen)

Rises			
Daiei	1340	+	110
Hokuriku Sei	2110	+	300
Ito Yokado	5040	+	210
Ono Pharm	5780	+	220
Falls			
Kawasho	465	-	30
Minolta Camera	428	-	14

LONDON (Pence)

Rises			
BM Group	21¾	+	4¼
Chrysalis	116	+	37
Glaxo	638	+	22
Ladbroke	210	+	8
Magellan Inds	186	+	8
Manchester Utd	517	+	20
Pilkington	163	+	7
SmKl Beecham A	457	+	20
Tadpole Tech	264	+	20
Tottenham Hspr	104	+	9
Wellcome	755	+	28
Wilkes (J)	125	+	5
Zeneca	760	+	33
Falls			
BAT Inds	450	-	13½
Bowater	494	-	21
Cookson	220	-	11
Guinness	493	-	16
Haemocell	128	-	7
Psion	115	-	8
Rolls-Royce	152½	-	11
Sun Alliance	367	-	20
Telegraph	409	-	14
Vodafone	526	-	21½
Whitegate Leis	36	-	8

Rhône-Poulenc warns on full year

By John Ridding in Paris

RHONE-Poulenc, the French chemicals group which is one of the front runners in the government's privatisation campaign, yesterday announced an 11 per cent fall in first-half net profits and warned of reduced earnings for the year as a whole.

Mr Jean-René Fourtou, chairman, said that "unless trading conditions encountered in the first half of the year improve in the second half, it is likely that results for the full year will be lower than in 1992".

Net profits for the six months to June fell to FFr1.37bn ($230m) from FFr1.55bn. This was in line with a profits warning issued last month. First-half sales were FFr40.03bn, about 6 per cent down.

Mr Fourtou blamed the downturn on depressed economic conditions in Europe, particularly in Germany, and on the fall in demand for chemicals. He said that the international chemicals market was in its worst ever condition and showed no sign of improving before the end of the year.

He was much more sanguine about prospects for the sale of the government's 43 per cent stake in the company.

The disposal, which will follow that of Banque Nationale de Paris as part of the programme to privatise 21 state-controlled groups, is expected by the end of autumn.

"The government has asked us to be ready and we are ready," said Mr Fourtou. He did not expect problems in forming a core of stable shareholders to replace the state. Privatisation would allow the group to raise capital and reduce debt.

But despite his relaxed approach to the sale of the government's stake, Mr Fourtou expressed surprise at the rise in the Paris stock market and the company's share price over recent months.

"I don't see an economic jump next year to pull the chemicals industry out of the doldrums," he said. Following yesterday's results, however, the company's share price fell from FFr161.5 to FFr158.

With the exception of the group's healthcare division, all of the group's activities suffered falls in first-half profits. Intermediate chemicals, used in plastics and other industrial inputs, saw operating profits fall from FFr478m to just FFr13m.

The fibres and polymers division suffered a fall in operating profits from FFr418m to FFr36m. The agricultural division, which includes fertilisers, fell from operating profits of FFr854m to FFr629m, while the specialty chemicals business suffered a 13.8 per cent fall in operating profits to FFr351m.

Health, the one bright spot, raised operating profits from FFr2.15bn to FFr2.76bn. But the company said the rate of expansion would slow in the second half of the year.

Kevin Done and John Ridding on the forces behind the Renault-Volvo merger

Deal set to be unveiled next week

RENAULT and Volvo, the French and Swedish vehicle groups, are aiming to announce a full merger of their operations early next week, according to official sources in France.

The merger would create one of the four biggest car groups in Europe and the continent's second largest truck group. It would also prepare the combined group for privatisation as part of the French government's campaign to sell its stakes in 21 companies. The government currently holds 79 per cent of Renault's shares.

The most sensitive part of the negotiations between the two companies has been the question of the division of equity in the combined group and the sharing of management control.

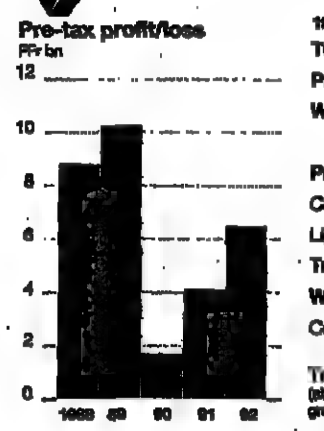
Industry observers believe that Volvo has accepted a minority stake in a combined group, but may have the power of veto over sensitive decisions on investments and the allocation of assets. Volvo may also have a stronger role in the truck operations.

One analyst said the division of ownership was the most thorny problem and it could still delay the merger.

Co-operation between the groups started in 1990 when they announced an alliance and cross-shareholdings. Progress towards full merger has accelerated over the past months as a result of pressure from the centre-right government of Mr Edouard Balladur, which seeks to ease its budget deficit and increase the independence of French companies.

The depressed state of the European car industry has added impetus towards a merger, which will allow economies of scale and reduced costs.

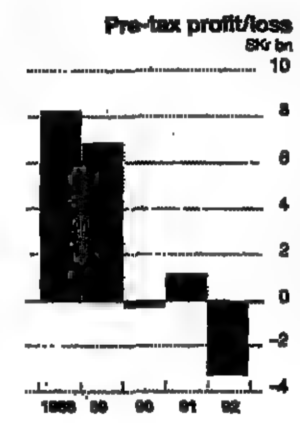
Renault



1992	
Turnover:	FFr 179.4 bn ($30.7 bn)
Profit/loss:	FFr 6.6 bn ($1.13 bn)
Workforce:	146,604
Production:	
Cars	1,760,743
Light commercial	281,086
Trucks & buses	52,945
Western Europe market share:	
Cars	10.6% (ranked 6)
Trucks (above 6 tonnes gross vehicle weight)	9.3% (ranked 4)

VOLVO

1992	
Turnover:	SKr83 bn ($10.2 bn)
Profit/loss:	-SKr 3.3 bn (-$408 m)
Workforce:	60,115
Production:	
Cars	304,200
Light commercial	—
Trucks & buses	52,160
Western Europe market share:	
Cars	1.5% (ranked 13)
Trucks (above 6 tonnes gross vehicle weight)	8.9% (ranked 5)



Driven by the need to survive

AFTER three years of living together, Renault and Volvo are preparing to go to the altar. The final touches are being applied this weekend to a full-scale merger.

The deal sets a new high-water mark in the shake-out of the European motor industry, as the continent's dwindling band of vehicle makers seek a place among the survivors in the global industry of the next century.

Europe has become the central battle-ground of the world auto industry, as the Japanese car makers follow their dramatic incursion into North America during the 1980s, by building another regional production base in Europe during the 1990s.

At the same time European car makers are under intense pressure to put their houses in order before the expiry of the transitional period to a free car market by the end of 1999, when all restrictions on Japanese car and light commercial vehicle imports are supposed to be removed.

The Renault-Volvo merger moves the restructuring of the European auto industry on to a new plane and is the first of the jumbo marriages.

Restructuring along national lines was completed long ago. The smaller producers have nearly all been picked off: in cars, Jaguar by Ford, Saab by General Motors, Seat and Skoda by Volkswagen and Alfa Romeo by Fiat; in trucks, Pegaso and Ford Trucks by Iveco, Steyr by MAN, Leyland by Daf.

The newRenault-Volvo group will have a combined turnover of about $41bn. In the western European car market it will move into fourth place with a combined share of 12.1 per cent (1992 figures) behind Volkswagen – which includes Audi, Seat and Skoda – at 17.5 per cent, General Motors (Opel/Vauxhall and including Saab) at 12.4 per cent and PSA Peugeot-Citroën at 12.2 per cent. It will leap-frog both Fiat and Ford.

In cars, the impact of the merger will chiefly be felt in Europe. Renault has long since pulled out of North America with the failure of its venture with American Motors – it sold its stake to Chrysler in 1987. Volvo has only 0.7 per cent of the US car market.

It is a different story in the commercial vehicle industry, however, where the merged group will challenge Mercedes-Benz for world leadership in heavy trucks, where European producers dominate.

Volvo (through Volvo GM Heavy Truck Corporation with its WhiteGMC brand-name), Renault (through Mack) and Mercedes-Benz (through Freightliner) all have a substantial presence in the US market, where last year they accounted for 44 per cent of heavy truck sales.

Volvo is much more the world player than Renault, with substantial manufacturing operations in South America and a clear sales presence in the Middle East and Asia.

In the European truck market, Volvo has a more significant presence than Renault in heavy trucks, but Renault is in all market segments. Renault-Volvo should move into second place behind Mercedes-Benz and ahead of Iveco, part of Fiat.

The merger is being driven by an overriding imperative to force down costs. The investment needed to develop new vehicles is such that only the biggest battalions appear able to gain the necessary economies of scale. This week Volvo began the launch of its new flagship heavy truck range, which has taken seven years and an investment of SKr6.5bn ($800m) to develop.

The logic of the alliance formed in 1990 always meant that a full merger would eventually emerge. It is the pace of the deal that has been dictated by the ferocity of the competitive environment.

Mr Louis Schweitzer, Renault chairman and chief executive, has been determined to drive the merger through as soon as possible. "If you stop moving it is bad, you must keep up the momentum," he says. "The advantage of a complete merger is simplicity and speed. Agreement between two companies does not go as fast as managing a single group."

As long as Renault and Volvo have different shareholders there is a basic problem of how savings and profits – or losses – are to be apportioned between the two companies. According to Mr Schweitzer, "it is clear there is no way back."

Watchdog threatens British Gas aims

By Deborah Hargreaves in London

BRITISH GAS's ambitions to expand outside the UK could be severely curtailed by Ofgas, the country's gas industry regulator. The company has invested £1.5bn ($2.3bn) in other countries and plans to spend a similar amount over the next few years.

Ofgas wants to put a "ring-fence" around the £1.2bn profits British Gas makes from supplying UK household customers to protect them from any costs associated with high-risk projects outside the UK.

"Rather than success abroad keeping the home fires burning, we're worried that disaster abroad could put the home fires out," said Mr Greg McGregor, director of competition and tariffs at Ofgas.

He did, however, stress that he had no reason to believe British Gas's overseas projects would fail.

The plan deals a blow to the company, which has looked to growth in other countries to increase profits as its UK business is eroded by increased competition.

The UK Monopolies and Mergers Commission recently recommended the company sell its trading arm by 1997 and lose its monopoly over household supply by 2002.

Mr Philip Rogerson, British Gas finance director, said he had not seen any Ofgas proposals. "But if they're saying the whole of our UK cash-flow should be ring-fenced that would be the cause of grave concern to us."

Mr McGregor said the company had nothing to fear from the ring-fence proposals as long as its projects overseas were secure and viable. "But we need to ensure the revenues generated by domestic customers are used for their benefit and not siphoned off overseas."

British Gas could continue to invest in overseas businesses if Ofgas's proposals were adopted, but funds should be more on a project finance basis, which could entail greater debt.

"The things we have done overseas so far have not lent themselves to project financing but there is no doubt it is a route we will follow more closely," said Mr Rogerson.

British Gas is negotiating a giant gas project in Kazakhstan which would involve investment of $3bn over 10 years.

Bubbling markets drive SBC to strong recovery

By Ian Rodger in Zurich

SWISS Bank Corporation, Switzerland's third largest banking group, recovered strongly in the first half from deeply depressed profits in the same period of last year.

Net income from ordinary operations doubled to SFr719m ($492.8m), enabling the group to achieve a 10.7 per cent return on equity, slightly above its 10 per cent target.

Mr Georges Blum, new SBC chief executive, said the good result was achieved in exceptional circumstances.

Profits from trading in securities, foreign exchange and futures and options markets soared 128 per cent to SFr1.55bn, because of bubbling stock markets and often chaotic currency markets.

Return on equity in the first half was still below the 13 per cent and 15 per cent figures reported by the group's rivals, Union Bank of Switzerland and CS Holding.

SBC, which has been hurt by lending misadventures in recent years, boosted its loan loss provisions in the first half by 66 per cent to SFr1.24bn.

Mr Blum said the move mainly reflected worries about the impact of the recession on the bank's broad base of industrial customers rather than the discovery of new headline cases.

Net interest income was flat at SFr1.5bn in the first half and net commissions rose 20 per cent to SFr1.2bn, reflecting, in part, the group's leading position in the Swiss investment fund sector. Assets under management in funds reached SFr40bn at the end of June, 18 per cent higher than at the end of last year.

Costs were up only 8.2 per cent, and administrative costs fell SFr41m to SFr714m, partly because of the completion of restructuring at the Banca della Svizzera Italiana subsidiary.

Profit before tax and provisions jumped 75.3 per cent to SFr2.18bn, but the result was still below the SFr2.78bn and SFr2.4bn earned by UBS and Credit Suisse respectively at this level.

Mr Blum said SBC could not expect profit to grow as strongly in the second half, but net income would exceed last year's "by a significant margin".

Rolls-Royce issues cash call

By Roland Rudd in London

ROLLS-ROYCE, the UK aero-engine manufacturer, yesterday launched its first cash call since it was privatised five years ago with a 1-for-4 rights issue to raise £307m ($464m).

The money is to be used to fund investment, mainly on the Trent engine, and the cost of reducing its workforce. It will also eliminate borrowings.

The new shares are being offered at 130p each. The existing shares fell 11p to 152½p.

Rolls-Royce also unveiled its half-year results to June 30, showing a 55 per cent increase in pre-tax profits, from £20m to £31m. Operating profits rose to £156m (£150m) on increased sales of £1.7bn (£1.6bn).

Sir Ralph Robins, chairman, said the order book, at £6.4bn, had proved strong but warned that the outlook was still fragile.

The restructuring programme, announced in March, is ahead of plan, and the workforce has been cut by 2,900 to 48,900.

There is no exceptional charge as £180m was provided for the restructuring last year, of which £41m was used in the first half. There are unlikely to be any more provisions taken.

Industrial and aerospace's profits before interest and after exceptional charges rose to £35m (£28m) and £5 (£2m) respectively. Sir Ralph said the military operations remained profitable "but were not contributing in the way they had in the past".

The company has asked the Department of Trade and Industry to raise the maximum level of foreign ownership which stands at 29.5 per cent. It was recently forced to ask foreign investors to sell their holdings after the permitted level was breached.

Earnings per share rose to 2.27p (0.93p), although before exceptional items last year's earnings were 2.39p. The interim dividend is cut by 0.55p to 2p. The company forecasts an unchanged total of 5p.

Ahlstrom gets FM1.45bn for its Enso-Gutzeit stake

By Christopher Brown-Humes in Stockholm

AHLSTROM, the Finnish machinery and paper group, yesterday placed its 17.5 per cent stake in Enso-Gutzeit, one of Finland's leading forestry groups, with international investors for FM1.45bn ($246m).

The stake was acquired a year ago as payment for 100,000 hectares of forest in south-eastern Finland.

It is a highly profitable deal for Ahlstrom as it gained FM38.7 for each of the 37.4m shares sold, compared with an acquisition value of FM20 per share. The price reflects the strong performance of the Finnish forestry sector this year where exports have climbed sharply, despite weak market conditions, due to the 30 per cent depreciation of the markka since November 1991.

The shares were placed by Barclays de Zoete Wedd at just under the FM39.3 price at which they closed on the Helsinki stock exchange on Wednesday.

Ahlstrom received both R class and A class shares when it sold its forest land to Enso last December in a FM926m deal. All the R class shares, carrying one-tenth of a vote, are now being sold, but the group is retaining its holding of 6.6m one-vote A class shares which it acquired for FM27 each.

Mr Krister Ahlstrom, chief executive, said the proceeds would be used to pay down the group's debt, which at the end of last year stood at FM8.6bn.

He said Ahlstrom had always intended to sell the shares when the price reached a certain target, but he had been surprised at how quickly this had been met. "This was not a strategic holding," he said, adding that the company was likely to sell its remaining shares in due course.

Enso-Gutzeit is Europe's largest producer of sawn timber and liquid packaging board, and the continent's fourth largest producer of newsprint. The state remains its largest shareholder, directly or indirectly controlling 58 per cent of the shares and 78 per cent of the votes.

Heineken ahead at midterm

By David Brown

HEINEKEN, Europe's largest brewer, reports a first-half rise in net profits before extraordinary items of 11.3 per cent, but says margins will be squeezed and the rate of earnings growth will likely slow in the second half.

Heineken said this slowdown would be due primarily to market conditions, and was based on the assumption that costs stemming from last week's recall of 3.4m faulty beer bottles could be contained and even recovered.

In the first half, earnings on ordinary operations advanced to Fl 220m ($118.2m) from Fl 197.7m. This was in spite of a decline in turnover to Fl 4.52bn amid weak demand in Europe.

Heineken said it was able to maintain and in some cases extend its market share in Europe, which accounts for more than two thirds of total turnover, even though the overall market was in decline with low volume sales.

The decline was particularly pronounced in Spain, Italy, France and the Netherlands, the group reported, while Asia and North America remained strong markets for Dutch-brewed exports. Margins were maintained due in part to robust sales in the premium end of these markets, with lagers sold under the Heineken and Amstel brand names.

Heineken also attributed its performance to lower restructuring provisions, and the lower costs that have resulted from earlier rationalisation. The workforce was reduced 5 per cent to 24,020 over the past year.

Heineken's 51 per cent-owned El Aguila subsidiary cut losses from Pta5.23bn ($39.1m) to Pta3.10bn, although the figure for the first half of 1992 included a Pta2.9bn charge for restructuring.

Germany plans defence sale to US

By Ariane Genillard in Bonn

THE German government will sell a 45 per cent stake in a Bavarian-based defence group to Bradduck Dunn McDonald of the US for an undisclosed sum.

The government will sell its stake in Industrieanlagen-Betriebsgesellschaft (IABG), 98 per cent owned subsidiary of the Industrieverwaltungsgesellschaft (IVG), a company holding properties and land. IVG is 50 per cent owned by the government.

The government said the IABG sale was part of its newly announced plan to sell state-owned companies.

IABG, which has a turnover of DM324m ($195.1m) and employs 1,500 people, is active in manufacturing software and logistics systems used by the German defence ministry. It is also involved in running one of the three testing centres of the European Space Agency, according to the finance ministry in Bonn.

The federal ministry for research and development will retain an option to take over the activities of IABG in the testing centre through a subsidiary of the German Institute for Aerospatial Research, created for this purpose.

IABG reported profits in 1992 after three consecutive years of losses, due to fewer contracts in the defence sector. Turnover last year rose by 13 per cent.

The government said it would keep a 15 per cent stake in IABG and the rest, excluding the US group's holding, is expected to be placed with German companies.

Weak areas fail to hold back Dutch insurer

By David Brown in Amsterdam

INTERNATIONALE Nederlanden Groep, the Dutch banking and insurance company, reported a solid first-half performance despite the dampening effects of losses in its reinsurance business and weaker earnings in the non-life sector.

Net profit advanced to Fl 897m ($480.9m), representing a rise of 8.9 per cent after adjustments which reflect new accounting principles adopted in the first quarter.

The group announced an interim dividend of Fl 1.60 per share, on a net per-share profit of Fl 3.62, and also forecast full-year net earnings per share would at least match the adjusted Fl 7.52 of 1992.

ING said it would take a Fl 400m extraordinary charge for its Orion and Nederlandse Reassurantie Groep units, which would be taken from the Fl 2.5bn extraordinary provision announced earlier this year.

This charge should be sufficient to cover any losses stemming from claims against the two units, whose financial results have been excluded from the consolidated ING results from April 1 1993. Their book value has been written down to zero.

In reinsurance, ING slipped from a first-half profit of Fl 8m to a loss of Fl 8m this year. Non-life insurance profits before tax slipped back by over a third to Fl 37m, but showed signs of improvement relative to the first quarter.

By far the most powerful engine of growth was the banking division, where pre-tax earnings pushed ahead by 15 per cent, or Fl 84m, to Fl 634m for the first half, helped particularly by strong returns from the trading operations.

ING also posted a strong rise in its life insurance unit, particularly in the Netherlands, North America and Australia; earnings before tax advanced by Fl 39m to Fl 329m.

The general insurance operation reported a 7.5 per cent advance to Fl 258m.

Canadian banks beat loan problems

By Robert Gibbens in Montreal

CANADA'S two biggest chartered banks have reported much improved results for the third quarter, despite continuing property and corporate loan problems.

Royal Bank of Canada's net profit for the three months ended July was C$223m (US$168.9m), or 58 cents a share, double the C$112m, or 26 cents, of the 1992 period.

Nine-month profit was C$720m, or C$1.93, up 24 per cent from C$580m, or C$1.58. Return on assets was 0.69 per cent against 0.57 per cent and on equity 13.4 per cent against 10.3 per cent.

Although loan losses were higher, the trend in revenues and expenses was favourable. Results benefited from higher fee income and good results from the brokerage subsidiary. Loan losses this year will total C$1bn, up C$180m from April 30.

Canadian Imperial Bank of Commerce reported net profit of C$190m, or 75 cents a share, in the third quarter, against C$186m, or 75 cents.

Nine-month profit was C$539m, or C$2.24, against a loss of C$33m, or 68 cents, after a C$1bn special loan loss provision.

Third-quarter net interest income rose 7 per cent and good earnings from investment banking and heavy home mortgage business helped. The rise in non-interest expense was held to 4 per cent after including the cost of entering insurance and trust operations.

Non-performing loans continued to decline and the overall ratio to total loans was 2.6 per cent at end July, down from 3.1 per cent at the end of January. The total loan loss provision for fiscal 1993 is being increased by C$40m to C$920m.

● The Canadian brokerage industry, helped by surging stock markets and new bond and share underwriting business, posted record first-half profits.

The 137 member-firms of the Investment Dealers' Association of Canada, representing the bulk of the industry, had net profit of C$360m, more than double the C$169m reported for the first half of 1992. The total surpassed the previous annual record profit of C$338m set in 1991.

Commissions totalled C$1.07bn, up 55 per cent, and represented 42 per cent of total gross revenues. Mutual fund [unit trust] commissions now make up 20 per cent of total commissions.

About C$12bn was raised in new equity in the first half and underwriting revenues were up 57 per cent to C$580m.

Ladbroke chairman retires after 37 years

By Michael Skapinker, Leisure Industries Correspondent

MR CYRIL Stein, who has headed Ladbroke Group, the UK hotels, betting, property and do-it-yourself group, for 37 years, is to retire as chairman at the end of the year. Mr Stein, who is 65, will remain a non-executive director for another three years.

Mr John Jackson, a 64-year-old non-executive director, moves from vice-chairman to chairman. Mr Peter George, 49, vice-chairman and joint managing director, will become chief executive.

The group yesterday announced an unchanged 4.92p interim dividend for the half year to June 30, despite a fall in pre-tax profits to £62.5m ($94.37m) from £84.4m. Earnings per share declined to 3.98p from 4.73p. Net borrowings at the half year were £1.34bn, the same as in December, leaving gearing at 52 per cent.

Mr Jackson said the board had decided it would not be right to cut the dividend when it appeared business prospects were improving.

"Things are looking a darn sight better than a year ago," he said, adding that the proper time to take a decision on whether to cut the dividend was after the year-end.

Turnover increased to £2.21bn from £1.99bn. Profit in the hotels division slipped to £44.4m from £49.3m on turnover of £431.6m, up from £383.2m. Room occupancies were down in continental Europe, the Americas, the Middle East and Japan. They were up slightly in the rest of Asia. Mr George said the UK was a bright spot for the hotels division, with London showing a healthy improvement.

Horse racing profits rose to £40.5m from £36m on turnover of £1.33bn against £1.2bn. The group said it expected to benefit from further deregulation of the betting industry. Property showed a profit of £800,000 after last year's loss of £14.8m.

At Texas Homecare, profits fell to £15.7m from £26.8m on virtually unchanged turnover of £365.4m. Mr George said margins had suffered on large items, such as kitchens, bathrooms and furniture. Even those now moving home appeared to be more cautious than in the past about spending.

He said Texas had made substantial progress in reducing stocks and was relying more heavily on delivering directly from suppliers to customers.

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NEWS DIGEST

Banque Générale advances 16%

BANQUE Générale du Luxembourg increased its net profit by 16 per cent to LFr975m ($27.31m) from LFr840m in the first half of 1993, writes Andrew Hill in Brussels.

The group, one of Luxembourg's biggest banks, said it had benefited from a strong increase in interest, commission and trading income. Its balance sheet at June 30 totalled LFr688bn, up 6.2 per cent on the end of last year.

Banque Générale customer deposits were also up LFr53.5bn to LFr493bn at June 30, a rise of nearly 11 per cent.

The company said the economic slowdown had led to increased use of existing credit lines and advances by private and corporate customers, but new loan applications had dropped.

Procordia to change name as units split

PROCORDIA is to change its name to Pharmacia after the Swedish group splits into separate pharmaceutical and consumer products units later this year, writes Christopher Brown-Humes.

Mr Jan Ekberg, head of Procordia, will be Pharmacia's chief executive.

Procordia is being split following an agreement in June between its two main owners, the Swedish government and Volvo, the car and truck maker. Volvo will gain a 74 per cent stake in the group's consumer products operations, and a 25 per cent holding in the pharmaceutical and biotechnology businesses to be grouped within Pharmacia.

The government will be the majority owner in Pharmacia, although it is likely to sell its stake next year. Pharmacia includes 51 per cent of Erbamont, the Italian drugs company which Procordia bought from Montedison in May.

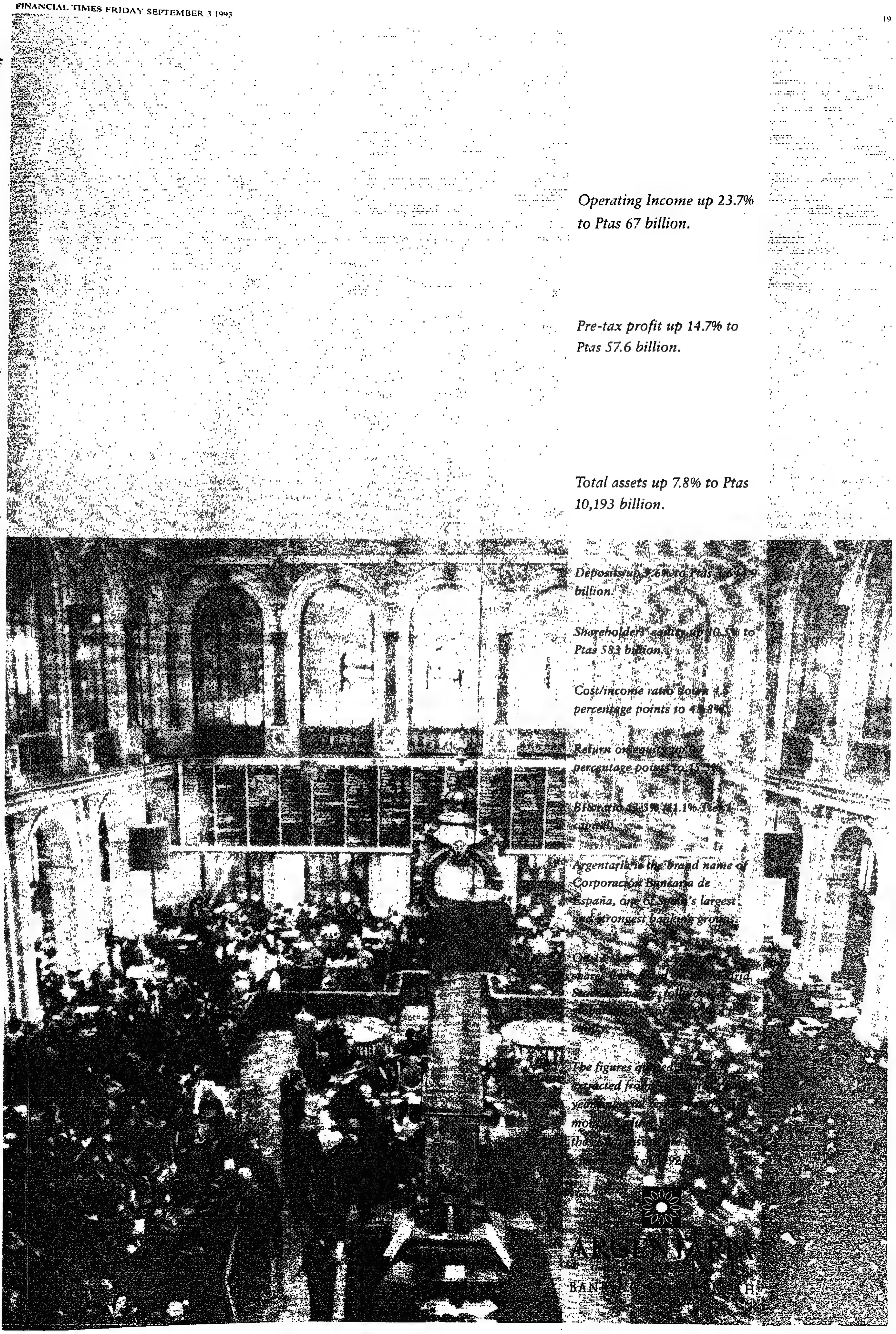
Banks battle to advise on Tofas

SCHRODERS, the UK merchant bank, and Shearson Lehman Brothers, the US bank, are bidding to advise the Turkish government on the sale of its 22 per cent stake in Tofas, the local Fiat subsidiary, in what would be the largest international listing of a leading Turkish company, writes John Murray Brown in Ankara.

The banks were yesterday in negotiations in Ankara with the Public Participation Administration (PPA), the government agency handling state sales to the public. A decision on the sale is expected shortly.

The PPA is considering plans for either a share listing on the New York Stock Exchange or a direct placement to US institutions.

The issue would be worth $600m at current prices, and would give a buyer a stake in Turkey's largest car business. The government hopes to conclude the deal this year.


Operating Income up 23.7% to Ptas 67 billion.
Pre-tax profit up 14.7% to Ptas 57.6 billion.
Total assets up 7.8% to Ptas 10,193 billion.
billion.
Shareholders' equity up 10.5% to Ptas 583 billion.
Cost/income ratio down 4.5 percentage points to
Return on equity up
Argentaria is the brand name of Corporación Bancaria de España, one of Spain's largest and strongest banking groups.
The figures quoted
ARGENTARIA

Cost controls help Sasol to 14% profits increase

By Philip Gawith in Johannesburg

SASOL, the South African synthetic fuel and chemicals group, out-performed stock market expectations in the year ended June, lifting net attributable profits by 14.4 per cent, to R1.3bn ($386m), and paying a higher dividend.

Higher volumes and currency depreciation helped raise turnover 5 per cent to R8.25bn, despite mostly weaker selling prices.

Pre-tax profits rose 19.9 per cent to R1.84bn, reflecting reduced interest charges of R122m - against R228.6m - and stringent cost control.

The company, which estimates a modest improvement in earnings for the current year, is stepping up its dividend from 78 cents a share to 86 cents.

Costs rose by only 3.5 per cent, well below the inflation rate. This was largely due to a 15 per cent cut in staff numbers. Mr Joe Stegmann, chairman, said the cost performance went well beyond normal belt-tightening.

The increase in attributable earnings includes provision for R100m to be transferred to a tax equalisation fund. This is in anticipation of a jump in the group's tax rate, to more than 30 per cent next year from less than 20 per cent this year as various tax allowances lapse.

A divisional breakdown of group profits shows that 41 per cent came from synthetic fuels, 22 per cent from coal, 25 per cent from crude oil refining, fuels marketing and gas, and 12 per cent from petrochemicals, fertilisers, explosives and polymers.

The good parts of the group's performance had been higher sales volumes and better profits from coal and fuels marketing. These were counteracted by lower refining margins and severely depressed chemicals prices.

Mr Kruger said the proposed joint venture with AECI's plastics and chlor-alkali business would go ahead subject to competition board approval.

Delta warns it may cut routes

By Karen Zagor

DELTA Air Lines, one of the three big US carriers, has warned it may have to cancel unprofitable routes. The warning comes despite an improvement in its loss-making transatlantic routes over the summer.

Mr Ron Allen, chairman, admitted that the company's foray into Europe had been more difficult than expected. Delta was essentially a domestic carrier until it bought Pan Am's transatlantic routes two years ago.

"We have had lower market share, poorer economic conditions, higher structural costs and greater start-up costs than anticipated over the north Atlantic," he said. "Pan Am had a name that was known around the world. Delta's name is not that well known around the world."

Mr Allen said Delta's transatlantic performance had improved between June and August, with its load factor rising to 73 per cent from 70 per cent and revenues at its Frankfurt hub up about 50 per cent. Although he would not say whether the routes had been profitable over summer, he did say: "If we can keep on the present trends, then I think it [the transatlantic routes] can be a profitable contributor in 1994."

The carrier has already cancelled some of its German routes. Mr Allen said: "We will do more of this as we look at our summer results and decide which routes cannot be profitable." Some routes may be consolidated. He said Delta had no plans to leave any markets entirely, nor was it planning a radical restructuring.

Western Mining trims dividend

by Bruce Jacques

WESTERN Mining, the Australian commodities producer, reports a modest earnings lift for the year ended June but is cutting its dividend from 11 to 10 cents a share.

Equity accounted net profit improved 3 per cent to A$165.9m (US$110.6m), helped by improved contributions from aluminium, copper and uranium. The result, on a 2 per cent sales fall to A$1.61bn, stemmed mostly from continued strong results at the company's integrated aluminium associate, Alcoa of Australia.

Cargill earnings slip 20%

By Laurie Morse in Chicago

CARGILL, the Minneapolis-based international commodities merchandising firm, reported a 20 per cent slide in fiscal year 1993 earnings, to $348m. Sales for the year rose slightly to $47bn, while cash flow, at $1.01bn, dropped slightly.

The secretive and closely-held company only began reporting results last year, when it initiated a employee stock ownership programme.

Cargill said despite the earnings decline, fiscal 1993 was its third-best year in its 130-year history.

Mr Robert Lumpkins, senior vice-president and chief financial officer, said operations within the US were stronger than ever.

However, activity outside North America was adversely affected by reduced acreage in the EC, currency fluctuations, political instability within parts of South America, and continuing credit problems among Cargill's leading customers, including the former Soviet Union.

"Many of the economic and other factors negatively influencing the global business environment had been anticipated," Mr Lumpkins said.

Iacocca resigns as Chrysler director

By Martin Dickson in New York

MR Lee Iacocca, who retired as chairman of Chrysler last December, yesterday unexpectedly resigned as a director of the automotive group and chairman of its boardroom executive committee.

He had been scheduled to remain as chairman of the executive committee until the end of 1994, but neither he nor the company offered any substantive reason for the sudden change of plans.

Lee Iacocca: 'time to let younger people do the driving'

This prompted speculation on Wall Street that the departure stemmed from boardroom friction between Mr Iacocca and his successor as chairman of the group, Mr Robert Eaton, who will now also take over as head of the executive committee.

Mr Iacocca, 68, will remain as a Chrysler consultant to the end of 1994.

He said: "It's not fashionable for former chief executives to serve on the boards of their companies any more. It's been a fantastic ride, but it's time to let the younger people do the driving."

His departure from the board marks the end of an era at Chrysler. The outgoing, feisty Mr Iacocca has been synonymous with the company since the late 1970s, when he joined the company from Ford Motor and saved the business from bankruptcy.

Browning-Ferris in $520m takeover

By Karen Zagor in New York

BROWNING-Ferris Industries, one of the biggest US waste management companies, is to acquire Western Waste Industries in a share-swap deal valued at about $520m. The deal includes the acquisition of Western's debt.

Browning-Ferris said the merger would expand its core waste services business significantly, especially in southern California.

The combined companies will have revenues of more than $3.6bn, of which about $230,000 will be from Western's operations.

On Wall Street, shares in Western soared $4¾ to $21¾ at mid-session, while Browning-Ferris eased $⅝ to $24¼.

Under the terms of the letter of intent, each share of Western common stock would be exchanged for 1.02 shares in Browning-Ferris. The deal is subject to renegotiation if Browning-Ferris' common share price rises above $30 or falls below $20. Browning does not expect the acquisition to dilute earnings.

Western has agreed not to invite bids or inquiries from other parties while the transaction is pending.

The merger is expected to be a tax-free reorganisation which would be accounted for as pooling of interests.

Although analysts expect Browning-Ferris to benefit from the move into southern California, some were concerned that it had paid too much for Western. Western's shares have closed no higher than $17 in the past 52-weeks, and the stock's all-time high is $23⅞.

In recent years, Browning-Ferris has been plagued by permit problems at its largest landfills, in addition to the pricing pressures which have been felt throughout the entire industry.

The company's earnings fell steadily in the early 1990s before starting to improve this year. Browning-Ferris' net income for the nine months ended June was $144.4m including a pre-tax reorganisation charge of $27m, compared with net income of $125.4m a year earlier.

It said most of its third-quarter revenue growth came from acquisitions. The company it completed 33 acquisitions in north America during the quarter with annualised revenues of about $41m.

It plans to establish a Western Waste division, headed by Mr Kosti Shirvanian, president and chief executive of Western. The takeover is subject to the negotiation and execution of a definitive merger agreement.

Avon forecasts shortfall in net

By Frank McGurty in New York

AVON PRODUCTS, the US cosmetics, toiletries and jewellery group, yesterday warned that third-quarter earnings would fall short of its results for the same period of 1992. Last time it posted net income of $53.9m, or 75 cents a share, on revenues of $938.8m.

With analysts anticipating earnings per share of about 85 cents in the current quarter, the announcement prompted a sharp reaction on Wall Street. By mid-session, the company's shares were down $5¼ to $54¼ in heavy trading.

Avon blamed the third-quarter performance on continued sluggishness of the US economy, combined with the cost of implementing "changes designed to reorient and redirect the US business".

The company, best known for its worldwide force of door-to-door sales representatives, has nearly quadrupled its advertising spending this year, primarily to support Avon Select, a direct marketing scheme allowing customers to order beauty products by telephone, fax or mail.

"If customers would start to spend as a result of the increased advertising, we would be fine," Avon said.

In the second quarter, Avon's US sales gained 2 per cent on the prior year, but pre-tax profit on the domestic side slid 7 per cent because of the stepped-up marketing effort.

However, the company is optimistic that sales and earnings will improve during the remainder of the year, and expects fourth-quarter and full-year results to show increases over comparable periods of 1992.

Rights issue by S African gold group

By Philip Gawith

A R250m ($74.2m) rights offer opens today for Eastvaal Gold, the company financing the development of the R1.7bn Moab gold mine, one of the largest high-grade gold deposits remaining in South Africa.

Eastvaal, which until now has been privately held within the Anglo American group, will also be listed on the Johannesburg Stock Exchange later this month.

The Moab project will be the No 11 shaft at the Vaal Reefs complex, one of South Africa's richest gold mines. Vaal Reefs is managed by the Anglo American group, the world's largest gold producer.

Mr Clem Sunter, chairman of Eastvaal and Anglo's gold and uranium division, said the project was a vote of confidence in the future of gold. He believes the gold market will have tightened by the turn of the decade, when the mine comes fully on stream.

Production at Moab will start in 1997. In peak production years, it will produce between 12 and 13 tonnes a year, at an estimated recovery grade of 11.2 grams/tonne. The mine will have a life of 28 years.

The issue will cover the after-tax capital expenditure on the project until early 1995. In escalated terms, it will eventually cost R3.1bn to bring the mine to full production.

Amcor raises annual payout after 18% lift

By Bruce Jacques in Sydney

AMCOR, the Australian paper and packaging group, has increased sales, earnings and dividends in the year ended June, despite recession in many of its key markets.

The company yesterday announced an 18 per cent net profit rise to A$314.9m (US$212.7m) on a 17 per cent sales lift to A$4.82bn. The dividend is going up from 29 cents to 31 cents. Earnings benefited from extra liquidity following the sale of the remaining interest in former transport associate Mayne Nickless.

Asset disposals produced an A$68.5m abnormal gain.

Pfizer's shares surge as valve claims are settled

By Karen Zagor

PFIZER, the big US pharmaceutical company, yesterday said it had settled the bulk of lawsuits involving its Shiley heart valve.

Pfizer would not reveal the terms of the settlement but said it would have no material adverse effect on its finances. The news helped lift shares in Pfizer $2¼ to $65 on Wall Street in morning trading.

Mr Paul Miller, Pfizer's general counsel, said: "We continue to believe there is no basis for people with functioning valves to recover damages, but the company wants to put this time-consuming and costly litigation behind it and to focus on more productive activities."

Pfizer has been involved with Shiley litigation for many years. While the company has never admitted that the valve is defective, about 400 recipients of the artificial heart valve have died or suffered from its fracture. It was taken off the world market in 1986.

In 1992, the company forwarded a plan to resolve disputes in a Cincinnati court which included a $215m class action settlement plus $300m in reserves for fracture claims. Earlier this year, a California appeals court upheld a ruling allowing non-California residents to file Shiley-related lawsuits in the state.

INTERNATIONAL CAPITAL MARKETS

Spate of auctions exaggerates effect of profit-taking

By Peter John in London and Patrick Harverson in New York

EUROPEAN government bond investors seized the opportunity to bank profits yesterday following recent sharp rallies. The sell-off was exaggerated as many dealers kept back funds to take advantage of a spate of bond auctions yesterday.

It was further compounded by a shiver of nervousness emanating from Belgium's decision to raise interest rates and sharp currency falls against a surging D-Mark.

GOVERNMENT BONDS

Finally, many investors were shifting funds back into shorter-dated maturities following the phenomenal rallies at the long end over recent weeks. This was particularly true in France, where even apologists have become slightly nervous over the extent of the rally.

Yesterday, the main focus was on a Treasury auction of FFr13.1bn of 10-year paper and FFr6.4bn of 30-year paper. There had been concern that the slowing trend for rate cuts would leave auctions less attractive than for previous issues. However, the 10-year bonds with a 6.75 per cent coupon were actively bid, with the auction covered 1.9 times and the average yield at 6.17 per cent.

Dealers said most of the buying was carried out by market makers needing to cover short positions after selling heavily to overseas investors, particularly Japanese life insurance companies. Recent intervention by the US Federal Reserve has persuaded Japanese investors that the yen is unlikely to rise further in the short term so they have been expatriating funds in order to consolidate the currency's strength.

The shift of attention from the secondary market sent French debt prices lower. The September futures contract traded on the Matif fell half a point before recovering to close 14 basis points lower at 123.42.

■ BELGIAN government bond prices were hit by the newly independent central bank's decision to hoist interest rates to protect the currency.

Most investors are unconvinced that the central bank will be able to keep the currency strong in the face of very high government debt. They believe it will have to cut rates and weaken the currency to reduce the interest payable on the public deficit.

However, the short-term shock, in the face of a Europe-wide climate of low rates, sent bond prices reeling. The 10 per cent coupon maturing in April 1996 fell two percentage points at worst and closed one and a half points down at 106.50. The debt futures market saw record volatility and turnover.

■ SPANISH government bonds fell sharply initially as traders prepared their dealing positions for up to Pta1,000bn of supply, but rallied later. In the event, the Treasury allocated only Pta558.97bn against bids totalling Pta1,571bn at the tender for three, five and 10-year paper. There was an immediate squeeze in the market and the Bonos futures contract for September traded in Barcelona shot up one and a half points before settling a net 55 basis points higher at 100.70. Portuguese bonds were weaker after the Treasury issued Es15bn of 10.625 per cent 10-year paper at an average 9.6101 per cent.

■ LONG GILTS were a point lower at one stage as investors took profits in the face of the turbulence in Europe and weaker sterling. Buyers at lower levels ensured that most maturities stabilised later. The gilt futures contract for December closed half a point lower at 113.26.

■ SENTIMENT in the German government bond market was lifted by strength in the D-Mark and comments from Mr Helmut Schlesinger, the Bundesbank president. The September bund futures contract on Liffe closed 17 basis points higher at 98.36, but 10-year bunds closed slightly lower.

■ US TREASURY prices posted fresh gains across the board yesterday morning on reports that the Federal Reserve had been buying securities for foreign central banks.

By midday, the benchmark 30-year bond was up $\frac{7}{16}$ at $102\frac{21}{32}$ yielding 6.054 per cent, a record low. At the short end, the two-year note was up $\frac{1}{32}$ at $100\frac{1}{32}$ to yield 3.809 per cent.

Prices were firmer from the opening. The morning's economic news was mixed – weekly jobless claims fell unexpectedly while July factory orders dropped 2.1 per cent, a larger than forecast decline – and had little impact upon sentiment. Instead, prices got a lift mid-session from reports that the Fed was in the market buying two-year and five-year notes on behalf of European central banks.

Otherwise, attention was focused on today's employment report for August, which will give the latest reading on conditions in the labour markets. Analysts expect a rise of about 160,000 in non-farm payrolls.

FT FIXED INTEREST INDICES

	Sep 2	Sep 1	Aug 31	Aug 27	Aug 26	Year ago	High *	Low *
Govt Secs (UK)	102.15	102.56	102.49	102.16	101.45	89.05	102.56	93.28
Fixed Interest	124.88	125.20	124.51	124.03	123.80	104.17	125.20	106.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Sep 1	Aug 31	Aug 27	Aug 26	Aug 25
Gilt Edged Bargains	240.9	175.2	91.5	87.6	97.6
5-Day average	138.5	109.0	92.5	92.6	95.4

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	120.2626	-0.655	6.66	6.63	6.91
BELGIUM		9.000	03/03	111.4000	-1.350	7.30	7.11	7.05
CANADA *		7.500	12/03	105.7100	+0.270	6.72	6.81	7.10
DENMARK		8.000	05/03	109.0000	-0.500	6.70	6.68	6.82
FRANCE	BTAN	8.000	05/98	109.1922	-0.218	5.69	[illegible]	5.70
	OAT	8.500	04/03	116.3100	-0.160	6.19	6.25	6.43
GERMANY		6.500	07/03	102.4650	[illegible]	6.16	6.28	6.45
ITALY		11.500	03/03	112.7050	-0.110	9.57†	9.88	[illegible]
JAPAN	No 119	4.800	06/99	105.6817	-0.104	3.61	3.74	3.81
	No 157	4.500	06/03	102.5813	-0.540	[illegible]	4.18	4.09
NETHERLANDS		7.000	02/03	106.7200	-0.050	6.04	6.15	6.23
SPAIN		10.300	06/02	108.2750	+0.425	8.89	[illegible]	9.69
UK GILTS		7.250	03/98	103-22	-6/32	6.31	6.34	6.44
		8.000	06/03	108-00	-14/32	6.86	6.95	7.22
		9.000	10/08	115-30	-22/32	7.24	7.36	7.56
US TREASURY *		5.750	08/03	102-15	+5/32	5.42	5.48	5.80
		6.250	08/23	102-14	+5/32	6.07	6.17	6.51
ECU (French Govt)		8.000	04/03	109.3500	-0.200	6.65	6.77	7.23

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Thai groups rush to tap Eurobond and warrant sectors

Victor Mallet writes from Bangkok on the latest vogues in debt issuance

THIS year has seen a string of dollar-denominated convertible Eurobonds and baht debentures with warrants announced by Thai companies.

The trigger for the wave of issues was last year's Securities and Exchange Commission act, which established Thailand's SEC, allowed public companies to issue baht debt and removed some of the legal and fiscal obstacles to the issuing of Eurobonds.

Demand for the new instruments was ensured by the relatively high rates of interest charged by Thai banks for baht loans and by the buoyant state of the local stock exchange.

Among those raising cash through Eurobonds convertible into their shares – typical amounts are between \$40m and \$80m – are finance houses, chemical companies and property groups such as Land and House and Hemaraj Land.

More than 20 companies have made plans to raise money through baht debentures, usually with warrants and terms of about five years.

Mr Korn Chatikavanij, managing director of Jardine Fleming Thanakom Securities, which is lead-managing several new issues, says Thai companies could raise the equivalent of about Bt10bn (\$398m) this year through Euroconvertibles, and almost as much again through baht debentures.

"Thailand is catching on to tradeable debt paper," says Mr Chris Drake, a director of Standard Chartered Thailand. SCT is advising General Finance and Securities on a Bt1bn debenture and warrant issue.

Thai companies are tapping the Eurobond market because of the wide differential between Thai and US interest rates which exists in spite of the Thai baht closely tracking the US dollar; the dollar is believed to account for about 80 per cent of the currency basket used by the Thai authorities to fix baht exchange rates.

Instead of paying 12 or 13 per cent interest to a Thai bank, companies can pay perhaps 6 per cent via a Eurobond; in some cases they have made the bond redeemable at a fixed baht-dollar exchange rate, eliminating what little exchange risk there is. The only drawback is the prospect of earnings per share dilution when the bonds are converted.

For investors, convertible bonds are a bet on the growing Thai economy and the Thai stock exchange. "It's a booming business," says Mr Ong Soon Teik of SCT. "It's going to be attractive as long as there's this wide spread between Thai and US interest rates."

Debentures are also attractive cost-savers for Thai companies, especially those without the standing to issue Eurobonds, because the speculative value of warrants allows them to pay lower interest rates than those available from banks, and to pay a fixed rate over several years if they wish.

"A lot of listed companies are going to bypass the bankers for funds," says Mr Ong.

Some stockbrokers are cautious about the enthusiasm for debentures and warn of a lack of liquidity and inadequate regulation. The debenture fad, they say, is a classic sign of a market approaching its peak.

Although some prospective borrowers are blue chip companies, others have a less than impressive track record.

There is no trustee system for bonds in Thailand, and the regulations for the secondary debt market and for debt rating agencies have not yet been firmly established or clarified, although one such agency – Thai Rating and Information Services or Tris – has started operations. "It's very dangerous," says one foreign stockbroker. "Debt markets require a lot of regulation."

Others are not so gloomy. "The market can really develop properly if there is liquidity," says Mr Korn of Jardine Fleming Thanakom. "All the major finance houses are gearing themselves to be active market makers."

Austria establishes benchmark in long-dated Euroyen sector

By Antonia Sharpe

THE Republic of Austria established a new benchmark in the long end of the Euroyen market yesterday when it raised Y60bn through an offering of 12-year Eurobonds.

The issue, which was priced against the World Bank's 10-year yen global bond in the absence of an underlying Japanese government bond, had a mixed reception.

Some bankers said the spread on Austria's issue was five basis points too tight, based on a theoretical 12-year Japanese government bond yield. However, the lead manager, Yamaichi International, said the pricing was justified by the quality of the borrower and current demand among investors for long-dated paper.

The pricing also reflected Yamaichi's view that Japanese interest rates will be cut in the near future, increasing the attraction of the bonds' coupon of 4½ per cent.

Weakness in the Japanese government bond market yesterday resulted in Austria's issue being launched at a spread of 13 basis points over the yield on the World Bank's yen global bond, compared with an intended spread of 17 basis points.

INTERNATIONAL BONDS

By late afternoon, the spread had widened to 15 basis points. Yamaichi said that around half of the issue had been placed by yesterday afternoon. When the bonds were freed to trade they were quoted within fees at 99.68 bid, compared with an issue price of par.

Meanwhile, two sovereign borrowers are getting ready to launch dollar global bond issues. Portugal has awarded a mandate to Merrill Lynch and IBJ International. Italy is expected to announce its offering by the end of September.

In the dollar sector, Crédit Local de France issued \$300m of three-year Eurobonds priced to yield 18 basis points over the 4⅝ per cent US Treasury of 1996. The bonds, which carry a coupon of 4¼ per cent, offered a small yield pick-up over a similar deal launched by General Electric Capital Corp earlier this week.

Some bankers said the pricing of Crédit Local's deal raised questions about how it had met its dollar funding target, which they said was 20 basis points below the London interbank offered rate (Libor). However, an official involved in arranging the deal said that Crédit Local's target was less aggressive and had been achieved through a swap.

Irish Permanent Building Society made its debut in the international bond market, raising £100m with a five-year offering of floating-rate notes (FRNs). The lead manager, UBS, said the notes offered a substantial yield pick-up over recent sterling FRNs in order to attract investors to this new name.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Crédit Local de France	300	4.25	99.55R	Oct.1996	0.1875R	+18 (4⅝%-96)	Sakura Finance Intl.
Crédit Lyonnais‡	150	(a)	99.75R	[illegible]	0.5R	-	CSFB
Banque Indosuez‡	100	(a)	99.75R	Oct.2005	0.5R	-	CSFB
BNL (HK Branch)‡	100	(b)	100R	Oct.2003	0.5R	-	Morgan Stanley Intl.
Bacob Overseas‡	100	(c)	100R	Sep.1997	0.2R	-	Sanwa International
STERLING							
Irish Permanent B/S‡	100	(d)	99.68R	Oct.1998	0.26R	-	UBS
FRENCH FRANCS							
Crédit Local de France	1.5bn	6.25	98.28R	Sep.2005	0.35R	+22 (8½%-04)	Crédit Lyonnais
SNCF(e)	1bn	6.75	98.72R	Sep.2013	0.5R	+18 (8½%-12)	Société Générale
Soc. Gén. Acceptance‡	500	(f)	99.4R	Dec.2003	0.5R	-	Société Générale
YEN							
Republic of Austria	60bn	4.5	100R	Sep.2005	0.35R	-	Yamaichi Intl. (Europe)
Itochu International(g)	10bn	3.75	100.425R	Mar.1997	0.225R	-	Merrill Lynch Intl.
ITALIAN LIRA							
KfW Intl. Finance‡	150bn	(h)	100.6R	Sep.1998	0.15R	-	Banca Commerciale Italiana

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ♦With equity warrants. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 6-month Libor - 0.25%; minimum 5%, maximum 8%. b) Coupon pays 6-month Libor - 0.1875%; minimum 5.75%, maximum 10%. c) Coupon pays 3-month Libor + 0.2%. d) Coupon pays 3-month Libor + 0.3%. e) Issue launched on 19/8/93 was increased to FFr4bn. f) Coupon pays 7% on money market basis for first 9 months and 15.5% - 1.75 x 3-month Pibor thereafter. g) Short 1st and 2nd coupons. h) Coupon pays 3-month Libor - 0.3%.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on September 2

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	71	8
Other Fixed Interest	0	6	9
Commercial, Industrial	236	321	865
Financial & Property	71	246	604
Oil & Gas	24	19	38
Plantations	1	2	5
Mines	8	76	49
Others	27	69	27
Totals	357	809	1,505

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
21	Nil	22/9	14pm	11pm	Arlen	14pm	
90	Nil	12/10	8½pm	7pm	Crockfords	7pm	
75	Nil	3/9	21pm	3pm	Cussins Property	21pm	
125	Nil	22/9	30pm	26pm	Lilleshall	28pm	-4
106	Nil	28/9	26pm	18pm	Sedgwick	18pm	-1
98	Nil	13/10	12pm	11pm	Wickes	11pm	
1	Nil	4/10	½pm	¼pm	[illegible]	¼pm	-¼

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Aug. 23
- Last Dealings Sept. 10
- Last Declarations Nov. 25
- For settlement Dec. 6

3-month call rate indications are shown in Saturday editions.
Calls: Avesco, Dares Pref., Enterprise Comp., Flextech, Hanson Wts., Lucas Wts. and Vardon. Put: Avesco.

LIFFE EQUITY OPTIONS

[illegible]

September 2 Total Contracts [illegible]
Calls 20,843 Puts 17,095
FT-SE Index Calls 2,978 Puts 6,308
Euro FT-SE Calls 5,237 Puts 4,268
*Underlying security price. † Long dated expiry mths.
Premiums shown are based on closing offer prices.

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

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FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Thu Sep 2	Day's change %	Wed Sep 1	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	128.85	-0.04	128.90	1.70	7.91
2	5-15 years (23)	155.70	-0.30	156.17	1.62	9.39
3	Over 15 years (9)	174.89	-0.88	176.06	1.41	8.55
4	Irredeemables (6)	203.82	-1.00	205.88	2.29	8.83
5	All stocks (62)	[illegible]	-0.30	151.69	1.63	8.83
	Index-Linked					
6	Up to 5 years (2)	187.11	+0.01	187.09	[illegible]	3.41
7	Over 5 years (11)	181.65	[illegible]	181.86	[illegible]	3.42
8	All stocks (13)	181.33	-0.10	181.52	0.80	3.41
9	Debs & Loans (65)	143.87	-0.36	144.39	[illegible]	7.62

AVERAGE GROSS REDEMPTION YIELDS

			Thu Sep 2	Wed Sep 1	Year ago (approx.)
	British Government				
1	Low	5 years	[illegible]	6.33	8.82
2	Coupons	15 years	7.09	[illegible]	8.83
3	(0%-7¾%)	20 years	[illegible]	7.15	8.83
4	Medium	5 years	6.49	6.46	9.53
5	Coupons	15 years	[illegible]	7.16	9.09
6	(8%-10¾%)	20 years	7.33	[illegible]	8.99
7	High	5 years	6.68	6.65	9.78
8	Coupons	15 years	7.47	7.40	9.32
9	(11%-)	20 years	[illegible]	7.42	9.17
10	Irredeemables (Flat Yield)		7.43	[illegible]	9.00
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.52	2.52	4.62
12	Inflation rate 5%	Over 5 yrs.	3.26	3.25	[illegible]
13	Inflation rate 10%	Up to 5 yrs.	1.74	1.73	3.87
14	Inflation rate 10%	Over 5 yrs.	3.09	3.08	4.46
15	Debs &	5 years	[illegible]	7.72	10.83
16	Loans	15 years	8.10	8.06	10.45
17		25 years	8.24	8.20	10.32

Sun Alliance recovers and plans share issue

By Richard Lapper

SUN ALLIANCE, the composite insurer, yesterday reported pre-tax profits of £61.7m for the first six months of 1993 and announced plans to raise capital to take advantage of improved trading conditions.

The figures, which compared with a previous loss of £97.9m, reflected rises in premium rates, falling claims in some lines and cuts in costs.

Plans to raise up to £300m by way of a new preference share issue will allow the group to take advantage of "attractive opportunities" in the UK market when these arise, as well as continuing the repair work to the group's balance sheet following heavy losses in the last three years.

In spite of the improvement in the results the market was unimpressed and the shares closed 20p down at 367p.

Analysts suggested that a less than expected rise in net asset value to £1.56m – compared with £1.55bn at December 31 – depressed sentiment. Despite increases in the value of equity holdings, goodwill write-offs, including those related to the acquisition of Hafnia, the Danish insurer, and the purchase of remaining minorities in Swinton, the insurance broker, held back growth in net assets.

Earnings per share amounted to 5.2p (losses of 14.1p). The interim dividend is maintained at 5.25p.

Mr Roger Neville, group chief executive, said the profits reflected a "substantial improvement in all major operations including insurance profits in UK personal business and overseas and a significant increase in life profits".

Losses on UK domestic mortgage indemnity business have fallen to £60m from £108m in the first half of 1992, but like its UK rivals, the company has benefited from a rise in premium rates and a fall-off in claims in some lines.

Underwriting losses fell to £153.1m (£280.8). The improvement was heavily concentrated in the UK where losses fell from £244.7m to £100.6m, despite net losses of some £25m from the Bishopsgate bomb in April.

Life profits increased substantially from £27.3m to £38.3m. Income from new annual premiums in the UK expanded by 6 per cent. Investment and other income rose to £176.5m (£155.6m). Premium income from general business increased to £1.73bn (£1.46bn), but income from life insurance fell to £509m (£627.9m).

Vickers back on the right road with profits of £8m

By Kevin Done and Andrew Bolger

VICKERS, the UK engineering group, ended two years of losses by achieving a pre-tax profit of £8.3m in the first six months following a deficit of £4.1m in the same period last year.

Sir Colin Chandler, chief executive, said that Rolls-Royce Motor Cars, the luxury cars operation, was "on track to break even" in the full year after suffering total losses in the last two years of £110m, including trading losses and restructuring costs.

The interim dividend is raised from 0.5p to 1.25p. Last year's total was cut to only 1.5p from the peak of 9.9p paid in 1990.

Group turnover in the half year to end-June fell by 5.4 per cent to £330.5m (£349.3m).

Vickers was "back on the path towards gradual earnings growth," said Sir Colin. Trading conditions had shown "little sign of improvement" but the group was benefiting from the "significant" cuts in its cost base and the strengthening of operational management.

Vickers said that sales of Rolls-Royce and Bentley cars were unchanged in the first six months at 693, ending the dramatic decline of the previous two years when sales worldwide plunged to only 1,378 in 1992 from the peak of 3,333 in 1990.

Sir Colin said that in the long term, the luxury cars business would need to find some form of partnership in order to develop a new model generation.

The Cosworth engines subsidiary has suffered from a sharp fall in demand for road engines from Ford, which has fallen to about 3,000 this year from 9,000 two years ago.

The decline has been offset by the growth of the motorsport business, however, with successes in both Formula 1 and the IndyCars series in North America.

Vickers had still not received "a firm response" from the UK government in its negotiations over a £500m contract either to supply more Challenger 2 tanks or to upgrade the British Army's existing Challenger 1 tanks, said Sir Colin.

COMMENT

Vickers is clearly back on the right road, but the route to recovery still involves considerable uncertainties. March's £60.5m rights issue has cut gearing to 6 per cent, but individual businesses such as marine and aviation face tough markets conditions. Rolls-Royce Motor Cars should break even, but a welcome increase of sales in markets such as China and the former Soviet Union may prove unreliable. The big Challenger contract could also fall foul of a public expenditure squeeze. Forecast profits of about £33m put the shares on a prospective multiple of 21. The shares, up 5½p to 160p yesterday, have risen strongly since the rights issue, which was priced at 95p, and now look fully valued.

Stein dismounts but remains in training

Michael Skapinker considers how the changes at the top of Ladbroke will work

MR Cyril Stein, who is to step down as chairman of Ladbroke after 27 years, spent yesterday in bed with a temperature.

The fever prevented him from appearing in public to talk about the interim results, announced yesterday, or to recount how he turned what was once a bookmaker to the aristocracy into a group with a market capitalisation of more than £2bn and interests including the Hilton International hotel chain, betting shops, property and DIY stores.

Having to give interviews over the telephone from his sick bed has clearly not dimmed his sense of humour.

Nor has it lessened his determination to continue playing a leading role at Ladbroke even after the end of the year, when he officially steps down.

Did he regard yesterday as a momentous occasion?

"Yes," he chuckled. "The property division made a profit."

The group announced that Mr John Jackson, at present non-executive vice chairman, is to become non-executive chairman. Mr Peter George, vice chairman and joint managing director, will take over as chief executive.

Mr Stein will remain a non-executive director for three years and act as non-executive chairman of the property division.

Mr Jackson and Mr George, interviewed at the London Hilton on Park Lane, seemed quite clear about what the change would mean.

Mr Jackson stressed that Ladbroke would now be led by a team rather than a charismatic individual.

Mr Stein made it apparent that Ladbroke would benefit from his charisma and experience for at least the next three years.

Mr Jackson said: "Cyril Stein is a very powerful personality. It's almost certainly a mistake to secure the succession of such a person by finding a clone. The way to provide for the succession is with a highly-motivated, well-trained team. Peter will be very much the leader of a powerful team."

Mr Jackson added that Mr Stein's continuing presence would not cause his successors problems. "It was a matter of discussion between Cyril Stein and myself. Cyril is a very moral person. Under no circumstances would he create difficulties."

Mr Stein said yesterday that the change meant he would no longer have the final say on group policy. "I will have my word, but not the final word." He stressed, however, that he would be the more active sort of non-executive director.

He has, he said, always been a hands-on leader. "I still go around the hotels emptying ashtrays. That's at Forte hotels. At our hotels the ashtrays are always clean." As a non-executive, he would be in the office five days a week.

HISTORY OF LADBROKE

- 1956 Ladbroke bought by investor group led by Cyril Stein
- 1967 company floated on stock market
- 1972 Ladbroke moves into property development with purchase of London & Leeds Development Corporation
- 1979 Casino businesses disposed of following critical gaming authority report
- 1984 Company buys Belgian betting shop chain
- 1985 Loses out to Allegis in Hilton International auction
- 1986 Company buys Texas Homecare chain (actual co name was Home Charm Group)
- Lasky's sold to Granada; bingo halls and amusement arcades to Rank Organisation.
- Company biggest shareholder in SIS, set up by big bookmakers to transmit racing to betting shops
- 1987 buys 91-hotel Hilton International from Allegis for £650m
- Company makes two right issues in 7 months, sells UK local newspaper interests
- 1989 retirement homes business sold
- In the last 10 years there have been four right issues
- June 84 1 for 5; March 87 3 for 10; Oct 87 1 for 5; and Sep 91 1 for 4.

He would receive the same weekly report papers he gets now. "I will have no hesitation talking to the divisions or the heads of divisions," he said.

"A non-executive has the same power as an executive director. I will talk to Peter. I will talk to John. We've worked for some time as a troika. To a large extent that's the way it will go on."

Why retire as chairman, in that case?

"I'm 65. I think every company should open the windows and let some fresh air in from time to time. I planned this two years ago when I made Peter George joint managing director.

"I'm going to serve another three years, but it does give encouragement to people down the line. When I phoned the 36-year old who runs our US property division, he said: 'One down, 11 to go.'"

Mr Stein's reluctance to make a clean break could be seen as understandable for two reasons. The first is that Ladbroke, as it exists today, is largely his creation.

Originally founded more than 100 years ago in the village of Ladbroke, Warwickshire, the company began by taking bets on horse races from a select group of customers. Only those who had personal entries in Debrett's were accepted.

In 1956, Ladbroke was acquired by a consortium, Beaver Holdings, and Mr Stein became managing director.

In those days, the company used to make profits of between £60,000 and £70,000 a year, Mr Stein recalled. "If the favourite won the Derby, we'd lose a year."

The legalisation of off-track betting in 1963 provided Ladbroke with the opportunity to extend its reach beyond the confines of high society.

In 1966, Mr Stein became chairman, floating the company a year later with an initial market capitalisation of a little less than £1m.

In the 1970s, Ladbroke's expanded into property and hotels. It also went into casinos, which provided Mr Stein with the worst setback of his career.

In 1979, Ladbroke lost three of its casino licences after allegations about the way it had attempted to win business from rivals. The judge who heard the case in Knightsbridge Crown Court described the way the casinos were run as "disgraceful".

Many predicted Mr Stein would not survive. He did, but he yesterday described the affair as his lowest point.

"That was a very disappointing year," he said. "The problem was the jealousy of other people who took certain steps to make sure we would lose our licences, such as people being planted in our business."

The high point, he said, was the purchase of Hilton International in 1987, which provided the group with one of the world's best-known brand names.

The second reason for Mr Stein's continued interest is that an end to the recession could lift Ladbroke's results, defying those critics who have complained of drift and lack of focus in recent years.

Mr George, who joined Ladbroke at the age of 19 after a brief stint working for his bookmaker father, agrees that much of the difficult cost-cutting has already been done.

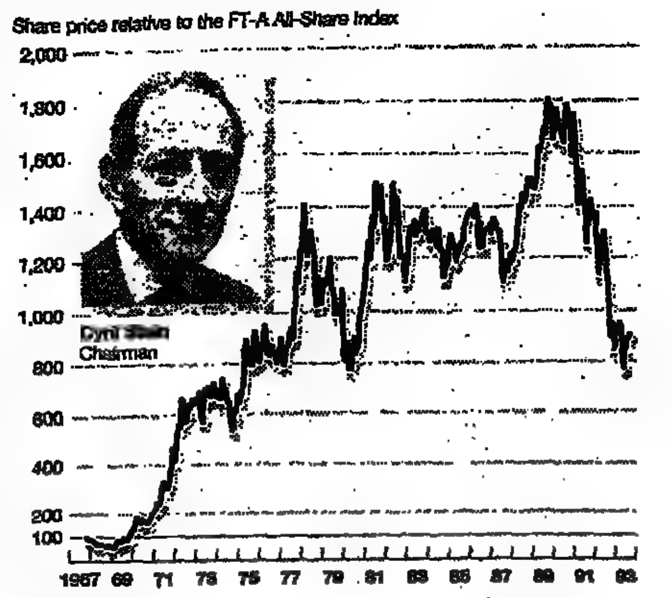
Problems remain, however. The DIY business is experiencing fierce price competition and Mr George concedes that the sector's customer service needs improving. While hotels in the UK are experiencing an upturn, conditions in many countries remain sluggish.

Mr George said yesterday he had not really thought about what his management style was. On reflection he offered "honest, straightforward, direct and fair". He added that he did not like surprises.

To someone who has spent his entire adult life at Ladbroke, the dominating personality of a still-present Mr Stein cannot be regarded as a surprise.

Ladbroke Group: Cyril Stein's creation

Share price relative to the FT-A All-Share Index



Source: Datastream

Greycoat pref holders oppose Postel plan

By Roland Rudd

A NUMBER of Greycoat preference shareholders yesterday said they would vote against Postel's proposed rescue package after the UK's biggest pension fund said the terms and conditions would not be improved.

In a circular to shareholders, who are being asked to approve the rescue deal on October 8, Greycoat warns that failure to accept the agreement will probably lead to administration.

The property company also unveiled a pre-tax deficit of £164.4m (£7.6m) for the year to March 31. This was mainly because of a fall in property valuations and a loss on the sale of properties. Rental income fell from £50m to £45.4m.

Net assets per ordinary share collapsed from 201p to 33p. Shareholders funds declined from £226.5m to £81.8m. The dividend for the year is omitted – last year 2.3p was paid.

The company needs the support of 75 per cent of all classes of shareholders.

Some preference holders, who are being asked to waive their dividends and take a 60 per cent cut in nominal value in exchange for a dividend and participation in a rights issue, yesterday said they would vote against the deal unless it was improved.

Mr John Katz, a research consultant asked by more than 25 per cent of the preference shareholders to contact Greycoat, said: "It is difficult to see how any preference shareholder can accept the plan. It will have to be improved if it is to stand a chance of success."

Opponents include Gruss Partners, the US arbitrage house, and two banks. The preference shares yesterday fell 8p to 41½p. The ordinary were unchanged at 25½p.

Mr Richard Guignard, Greycoat's finance director, said: "Nobody is happy with this deal, which is a good sign. The pain is spread evenly. If all the shareholders understand the consequences of what will happen if the deal is not agreed then they will give it their support."

Holders of the zero-coupon bonds and bank loans, who have temporarily waived loan covenants after the company defaulted, may insist on payment of their bonds and loans if the deal is not agreed. In such an event Greycoat warns: "It is likely that the group would have to cease trading immediately . . . preference and ordinary shareholders would receive no payment."

If there was a forced sale the document says Greycoat's properties would be worth only £365.9m.

The document also reveals that Mr Alastair Ross Goobey, chief executive of Postel, is no longer being invited to join the board of a restructured Greycoat. If the invitation had remained he would have been deemed by the Stock Exchange to be a proposed director and therefore responsible for the listing particulars. To avoid this he will wait and see if the restructuring is approved. He is expected to join the board if his rescue plan is accepted.

The restructuring could leave Postel with 87 per cent of the shares.

Cookson 40% rise aided by exchange rate movements

By Paul Taylor

COOKSON GROUP, the specialist industrial materials company, yesterday reported a 40 per cent rise in interim pre-tax profits, helped by exchange rate movements and gains on disposals.

However, the results disappointed the market and Cookson's shares lost 11p to close at 220p. One analyst blamed the share price decline on "unrealistic expectations egged on by management."

Pre-tax profits increased from £33.8m to £47.2m in the six months to June 30 on turnover which grew by nearly 17 per cent to £710.1m (£609.5m).

Earnings increased to 5.8p (4p) out of which the company is paying an unchanged interim dividend of 3p.

Mr Richard Oster, chief executive, said the continuing improvement had been achieved despite difficult market conditions in the UK and continental Europe which showed little sign of improvement.

Exchange rate movements added about £5m to pre-tax profits and £74m to sales compared with the 1992 period. Mr Robert Malpas, chairman, said that at constant exchange rates sales rose by about 4 per cent and pre-tax profits by 22 per cent. At constant exchange rates, and excluding a £5.5m gain on disposals, pre-tax profits were up 8 per cent.

Group operating profits increased by 18 per cent to £50.3m (£42.7m). On a like-for-like basis, adjusted for exchange rates and a number of other factors, including a higher £2.5m (£1.2m) rationalisation charge, the underlying increase in operating profits was about £4m or about 9 per cent.

The continuing good performance of most of the group's businesses was offset by particular difficulties in the aluminium, lead stabiliser and pigments businesses and in some of the development companies.

Four businesses lost £4.7m (£1.7m) and depressed the overall operating profit return on sales to just over 7 per cent against a target of 10 per cent.

Net interest payments were little changed at £8.6m and should fall in the second half as a result of a marked decline in borrowings which fell to £140m at the end of June against £341m at December 31. Net borrowings represent gearing of 21 per cent, down from 74 per cent at year end.

COMMENT

Despite the market over-reaction to yesterday's figures – which still showed a healthy profit gain once special factors were stripped out – Cookson is making progress towards its strategic goals. However, there is concern that rationalisation costs are still running at about £5m-£6m a year, and are likely to continue, and that the handful of lossmaking businesses are dragging margins down. Pre-tax profits of about £100.2m are likely this year, equivalent to earnings per share of 12.3p meaning the shares are trading on a prospective p/e of 18.

Chrysalis and Japanese group in $17.5m deal

By Catherine Milton

SHARES IN Chrysalis Group rose by 37p to 116p after Fujisankei, the Japanese media company, agreed to buy more than a quarter of the UK media company's new record division for $17.5m (£11.5m), valuing the Echo Label at more than the market value of the whole group.

Pony Canyon, Fujisankei's music division, will pay three installments over two years for a 25.1 per cent stake. Echo, formally launched in July, was planned following the lapse of a 12-month no-competition clause attached to Chrysalis' sale of its old record label to Thorn EMI.

Mr Chris Wright, chairman, said: "We've now got a very strong partner who is in the business and prepared to spend the necessary resources."

Echo has not yet signed any artistes and Chrysalis said yesterday the money raised from the equity sale would fund the label during its initial development phase.

Chrysalis will subscribe for the remaining shares and the two shareholders will each make available an interest-bearing loan facility of $2.5m to fund the development of interactive music product.

Chrysalis' shares in Echo will be held by an intermediate holding company, Armourvale, which will be 75 per cent owned by Chrysalis and 25 per cent owned by Mr Steve Lewis, the managing director and chief executive of Chrysalis' music division.

Correction
Dixon Motors

Dixon Motors raised £1.69m in a share placing in May. Yesterday's edition incorrectly reported it was to raise the sum.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
American Trust	int	1.8	Oct 15	1.5	-	4.9
Ashley Group	int	nil	-	0.375	-	0.75
Bowater	int	5.3†	Nov 9	4.7	-	11.1
British-Borneo	int	2.667	Oct 22	2.667	-	7.1
Burford	int	0.65†	Oct 6	0.5	-	1.15
Burmah Castrol	int	16.5†‡	Oct 27	8.75	-	25.25
Cookson	int	3†	Nov 19	3	-	6
Grafton	int	3§	Sept 30	2.75	-	6.5
Greycoat	fin	nil	-	-	-	2.3
Ladbroke	int	4.92	Jan 4	4.92	-	11.15
PCT §	int	2.5	Nov 5	2.5	-	7.25
Psion §	int	1	Oct 8	1	-	2.5
Rathbone Bros	int	2†	Oct 11	1.5	-	6
Reckitt & Colman	int	6.45	Jan 7	5.95	-	16.2
Rolls-Royce	int	2	Jan 10	2.55	-	5
Sun Alliance	int	5.25	Dec 1	5.25	-	14.25
Vickers	int	1.25†	Oct 6	0.5	-	1.5
Yorkshire Food	int	0.72	Nov 5	-	-	-

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Enhanced scrip option. §Irish pence.

Enhanced scrip dividend pleases market and helps shares rise 15p

Burmah Castrol ahead 12%

By Andrew Bolger

SHARES IN Burmah Castrol rose by 15p to 813p yesterday after the lubricants, chemicals and fuel group announced a 12 per cent increase in pre-tax profits and an enhanced scrip dividend.

Pre-tax profits rose from £80.6m to £90.5m in the six months to June 30, while sales increased by 18 per cent, from £1.14bn to £1.35bn.

The group said conditions in the second half of 1993 were likely to be similar to the first half but the longer-term outlook was encouraging.

Mr Lawrence Urquhart, chairman, said that in the second half recession in continental Europe would be counterbalanced by more favourable conditions in the rest of the world.

Earnings per share rose by 18 per cent, from 20.2p to 23.8p. The interim dividend of 16.5p (8.75p) is equivalent in size to the 1992 final dividend and is being paid earlier than usual. Burmah said no decision had yet been taken on the size of this year's final.

The enhanced scrip dividend is worth 24.75p and BZW is offering to pay 24.255p cash for each share issued under the offer. Burmah said it would seek shareholder approval for the scheme. This would also enable it to offer an enhanced scrip final dividend; but no decision had yet been taken to do so.

Net gearing, counting Burmah's convertible capital bond as debt, fell from 65 per cent to 63 per cent. Burmah said that if the enhanced scrip dividend was taken up in full, net gearing would fall by some 10 points and earnings per share this year would be improved by 4p.

Mr Urquhart said performance from the group's core divisions next year would benefit from the move into profit of Castrol Syntec, Burmah's synthetic motor oil, and the Foseco metallurgical chemicals would benefit from a continuing cost reduction programme.

Burmah has adopted the latest accountancy standard on the treatment of profits from hyper-inflationary economies – which in the group's case mainly means Brazil. It said this had reduced profits after tax and minorities by £1.7m and would reduce full-year profits by about £9m.

Burmah said volumes and gross margins in its Castrol lubricants division increased in spite of lower market demand, with operating profits up by 15 per cent to £70.8m. Operating profits in chemicals rose 5 per cent to £17.8m despite the severe impact of European recession on the metallurgical division.

Tony Andrews

Lawrence Urquhart (centre), Brian Hardy (left), finance director and Jonathan Fry, chief executive

● COMMENT

The market liked the enhanced scrip dividend, but the underlying operational performance is even more impressive. Managing to enhance Castrol's volumes and margins in the current climate is no mean feat, particularly in continental Europe. The metallurgical businesses of Foseco, bought for £260m at the end of 1990, continue to face dire markets, but the group has moved swiftly to reduce costs, closing large plants in France and Spain. Forecast full-year profits of £100m put the shares on a prospective multiple of 15.3. The shares have had a good run, nearly doubling within two years, but do not look overvalued even at this level.

Ashley Grp returns to the black with £1.6m

By Catherine Milton

ASHLEY GROUP, the window blinds and timber company, announced a turnround from pre-tax losses of £4.9m to profits of £1.58m in the six months to June 30.

Mr James White, chairman, said: "Having completed a satisfactory first half year's trading, the business seems set to progress in the second half."

Turnover fell to £143.4m (£210.6m), including a £122.8m (£192.2m) contribution from the discontinued Spain-based food retail operations.

Earnings per share were 0.35p, against losses of 0.88p after adjustment for the Spanish operations. The company, which passed its final dividend in the previous 16 month period, is not declaring an interim (0.375p) but will consider a final.

The window blinds division contributed £2.69m (£2.13m) to operating profits on turnover of £19.9m (£17.8m). Ashley said all its window blind businesses traded satisfactorily, bar Storflex, the French business, which suffered from the depressed French economy.

Plywood and timber added £112,000 (£79,000) to operating profits on sales of £718,000 (£601,000).

Net bank borrowings were £13.4m, giving gearing of 57 per cent. Interest charges were £787,000 (£666,000), excluding a £1.94m payment on discontinued operations for which the company provided in 1992.

Psion restricted to £1.07m by US marketing investment

By Paul Taylor

PSION, the hand-held computer, software and data communications equipment manufacturer, reported a marginal increase in interim pre-tax profits despite a 9 per cent advance in turnover and volume sales gains in most markets.

The USM-quoted group, which has been investing heavily in its US marketing operations, announced pre-tax profits of £1.07m for the six months to June 30, compared with £1.05m.

The figures were a little below market expectations and the shares, which have risen sharply in recent weeks, dropped 9p to 115p.

Mr David Potter, chairman, described the results as "a satisfactory performance despite continuing depressed market conditions in Europe."

He added: "We have made a substantial investment in marketing in the US and this, together with a recent reorganisation, has resulted in significant progress in that market."

The group has more than tripled the number of retail outlets in the US market to 650 and expects to have secured 1,000 by the year end.

In the latest period gross profit margins recovered, from the second half of last year, to 40 per cent, but the marketing investment in the US, totalling more than £600,000, held back profits at the pre-tax level.

Earnings per share increased to 3.41p (3.16p) and the interim dividend is maintained at 1p.

Turnover increased to £18.1m (£16.5m) spurred by particularly strong sales of data communications products in the UK, which grew by 30 per cent, and of hand-held computers in the US which rose 38 per cent to more than £2m.

A 25 per cent sales increase in Germany and the Netherlands helped offset an 11 per cent decline in sales elsewhere in Europe.

Mr Potter said sales of the Series 3 range were strong in the first quarter but that demand in Europe in the second quarter was weak.

He added that sales in the UK doubled after the company cut prices in June.

Offshoot sale main factor in Microvitec's rise to £0.57m

THE SALE of a lossmaking subsidiary was the main factor behind an improvement in interim pre-tax profits at Microvitec, the Bradford-based micro-electronic equipment and software group.

On turnover down from £25.5m to £18m, of which £16.1m (£14.4m) related to continuing activities, profits at this USM-quoted company for the first half of 1993 improved from £62,000 to £570,000.

In January the company sold Logitek Distribution to its management. Mr James Bailey, chairman and chief executive said: "The immediate benefits of this were improved profits, a lower interest charge and the freedom to allow management to concentrate on the core constituents of the business."

Gearing was cut over the six months to end-June from 82 per cent to 47 per cent. Interest charges fell from £377,000 to £141,000.

The pre-tax figure was also boosted by an exceptional credit of £196,000, the result of releasing a provision of £816,000 less the loss on the sale of the distribution side of £620,000.

Mr Bailey said that perhaps the most exciting development during the period was in Canada where the Silcom offshoot had experienced strong growth and sales were expected to double in 1993 to C$10m (£5.1m).

He added that display division continued to be successful in securing high profile contracts.

Earnings per share came out at 0.8p (0.1p).

NEWS DIGEST

US gas prices help to lift British-Borneo

SHARPLY improved US gas prices and exploration successes, both in the North Sea and the Gulf of Mexico, helped British-Borneo Petroleum Syndicate, the oil and gas exploration and production company, lift after-tax profits by 42 per cent from £2.07m to £2.94m in the half year to June 30.

Tax totalled £439,000 (£186,000) and Mr Alan Gaynor, managing director, said that following this year's changes to UK oil taxation the planned oil exploration programme had been rebalanced.

That would mean increased activity in the Gulf of Mexico, he said, where, by the year-end, the group expected to have drilled a further 12 wells.

Activity in the North Sea would also continue, with the group participating in five exploration wells within the next six months.

Sir Douglas Morpeth, chairman, said strong cash flow from all operations had enabled investment in oil and gas activities to continue and debt to be reduced to £31.3m against £33.9m at end-December.

Turnover in the half year more than doubled to £13.1m (£6.15m). Production was now evenly split between the UK and US, with 75 per cent natural gas.

Earnings per share amounted to 6.52p (4.6p) and the interim dividend is maintained at 2.667p.

Aran Energy jumps to I£3.29m

From turnover ahead from I£14.2m to I£31.16m (£29.3m), Aran Energy, the Dublin-based oil and gas exploration concern, boosted pre-tax profits from I£36,000 to I£3.29m for the six months to June 30.

After tax totalling I£759,000 compared with I£164,000 earnings per share were 0.97p against losses of 0.05p.

Directors explained that the "much-improved results reflected the group's increased level of oil and gas production, arising mainly from the acquisition of an interest in the Dunlin oil field." This continues to perform satisfactorily, they added, with the group's 26 per cent share of production averaging 6,739 barrels per day during the period.

PCT slips to £0.75m but senses upturn

PCT Group reported pre-tax profits of £751,000 for the six months to June 30, against £925,000.

The USM-quoted engineering equipment company blamed adverse economic conditions in the UK and continental Europe.

Directors said that the first half saw no signs of recovery in the UK and margins remained under pressure. However, there were encouraging prospects for the present six months, particularly in export markets, but the unsettled UK market continued to delay improvements in profitability.

Turnover fell slightly to £10.5m (£10.7m). Interest payable fell to £278,000 (£320,000). Earnings per share came out at 6.08p (7p) and the interim dividend is maintained at 2.5p.

Rathbone Brothers advances 25%

Rathbone Brothers, the private banking and asset management group, yesterday announced a 25 per cent expansion in interim profits.

On turnover ahead from £7.84m to £8.28m, the pre-tax line for the six months to June 30 emerged at £2.53m (£2.02m).

Mr Oliver Stanley, chairman, said the investment management operation had consolidated the acquisitions last year of Framlington's private client business and three Liverpool-based independent investment managers.

The strong performance reflected a "reasonably buoyant investment climate".

Rathbone's trustee activities continued to expand, both in the UK and abroad, Mr Stanley said, while advisory services maintained income levels.

Earnings per share edged ahead to 8.98p (8.03p); the interim dividend goes up from 1.5p to 2p to reduce disparity.

American Trust assets rise

Net asset value per share of American Trust increased to 282.8p as at July 31 1993, compared with 265.2p six months earlier and 200.5p a year before.

Available revenue for the six months to end-July amounted to £2.4m, up from £1.99m, giving earnings per share of 2.9p against 2.41p.

In part to reduce disparity with the final payment, the interim distribution is lifted from 1.5p to 1.8p.

Northumbrian Foods rights take-up

Northumbrian Fine Foods, the snack food manufacturer which earlier this year postponed its interim results and suspended its shares, yesterday announced that the rights issue to raise £786,000 net was subscribed by 71.2 per cent of holders.

The 8-for-25 issue at 8p per share is planned to fund the marketing and operating costs of launching its new Dunkers biscuit, designed to dip into drinks.

Wise Speke, which underwrote the issue, has placed the balance of 3.33m shares not taken up at 10p.

[illegible]

Growth encouraging given background of international recession

Reckitt improves 14% to £153m

By Maggie Urry

THE FALL in sterling helped Reckitt & Colman, the household products and toiletries group, report interim pre-tax profits of £153.2m, up 14.2 per cent from the previous year's £134.2m, restated at £82m under FRS 3, taking account of losses on the sale of its US spice business.

It was pointed out that excluding the exchange rate benefit, sales and operating profits rose *about 3 per cent in the half-year* to end-June.

Sir Michael Colman, chairman, said the growth was encouraging given the background of international recession.

Mr Vernon Sankey, chief executive, said profit margins had been maintained thanks to increasing investment in key *areas and products and to continuing* efficiency gains. Cash flow was strong, he added. The group increased its interim dividend from 5.95p to 6.45p because the first half had been "on track with our plans," Mr Sankey said.

Group sales were 9 per cent higher at £1.07bn, with turnover of continuing operations up 14 per cent. *Operating profits* were £172.7m, up 21 per *cent, or 14.3 per cent from* continuing operations.

Net interest charges rose from £17m to £19.5m because of the translation of foreign currency payments. Net debt fell to £311.9m at the end of the half year, down from £360.9m a year ago and from £314.7m at the year-end. Mr Iain Dobbie, *finance director, said debt* should fall to about £250m by the end of 1993 barring acquisitions or changes in exchange rates.

Tony Andrews

Vernon Sankey: the first half was on track with our plans

UK operating profits of £35m were flat with margins held at 19.6 per cent. Mr Sankey said a poor period for soft drinks offset improved results from household and pharmaceutical products. Continental Europe *contributed operating profits* 10.8 per cent higher at £50.1m, *though in local currencies profits* were static. A decline in profits from Spain offset rises elsewhere. The reorganisation of the US business pushed North American operating profits up 35 per cent to £34.8m and margins up from 10.2 to 11.9 per cent, despite a weaker performance in Canada.

Australasia and Asia raised profits 24 per cent to £27.8m, an underlying increase of over 10 per cent. Africa, mainly South Africa, contributed £13.2m (£12.2m). The Latin American business raised profits 15 per cent to £11.9m, *despite difficulties caused* by high inflation in Brazil.

Earnings per share were 24.88p, up from 7.93p on an *FRS 3* basis or from 21.85p on an adjusted basis.

COMMENT

Even Reckitt's management recognises the group is going through a boring phase while its 1992 strategy of going for investment generated growth *takes time to work through.* Underlying growth of 3 per cent is certainly dull. But Reckitt has its quiet merits. Operating margins of 16.2 per cent are high and seem sustainable. It pushes out cash, and the dividend keeps moving up. The shares have been poor performers *in the downturn* but have had a run up in recent weeks. On *forecasts of* about £280m pre-tax for the *year, against £248.3m or* £181.7m under FRS 3, the prospective p/e is 14.5 which is neither dear, nor likely to provoke outperformance.

Spectacle lens side sold by Pilkington

By Maggie Urry

PILKINGTON, the glass group, has agreed the sale of its *Sola* spectacle lens business for $315m (£210m). *After costs relating to the sale,* Pilkington *will receive £200m in cash.*

Its shares rose 7p to 163p.

The purchaser is AEA Investors, a fund set up several years ago by a group of wealthy US individuals to buy companies. Sola, which is based in California, is one of two global companies in the spectacle lens market.

Mr Andrew Robb, Pilkington's finance director, said the sale should cut gearing by *about 20 percentage points to* 70 per cent. This would be *achieved by a combination of a* £56m addition to reserves, as the sale is above book value, and the reduction in debt.

Gearing had risen through the £95m purchase of the Heywood Williams glass distribution business in April and *the* agreed acquisition of a half share in Siv, the Italian glass company, for £45m.

The profit and loss account will include the £56m gain, *offset* by £18m of goodwill written off when Sola was acquired 15 years ago.

Mr Robb said the effect of the sale on on-going pre-tax profits would be negative since the interest saving on the cash would not match profits from Sola, which were £19.1m at the operating level and £15.7m pre-tax in the year *to March 31 on sales of £186m.*

However, at the earnings level the sale would make little difference, he said, since Sola's profits were taxable, but the interest saving would be made in the US and UK where Pilkington paid no tax.

Sola was put on the market last December, and Mr Robb said that Goldman Sachs had found a number of buyers. This had delayed the sale as *the different potential purchasers had each had to do due diligence investigations.*

Mr Robb said the AEA offer was the best. It was still contingent on AEA raising some debt finance for the purchase. Completion is expected by November.

Analysts welcomed the deal, but in the words of one "it is one step down a long road". He said further disposals were essential.

Mr Robb acknowledged the group was *looking at making* other sales. He would not be *specific about which businesses* might be sold but said the group would not contemplate sales of its core flat and safety glass activities.

Further disposals would help achieve the target of cutting gearing by another 20 percentage points over the next two years, he added.

Analysts expect the US contact lens business to be sold once its profits have recovered, and believe *Pilkington* could sell a half share in its *Australian subsidiary.*

AEA keeps a low profile. In February it sold *Speciality* Coatings International to Bowater, the packaging and industrial films group, for £305m having bought it *from* James River in 1991.

Shares shed 21p on warning of weaker demand

Bowater ahead of City forecasts with £103m

By Neil Buckley

BOWATER last night saw its *shares close down 21p at 494p* after the packaging, printing and *coated products* group warned that it had seen some *softening* of demand in the last two months.

The fall came in spite of a 64 per cent jump in pre-tax profits from £62.4m to £102.6m for the six months to June 30. Even stripping out an exceptional gain of £7.9m on business disposals, the profit of £94.7m was 52 per cent ahead and well above analysts' forecasts of £85m to £90m.

But the shares came under *heavy pressure, and* were down 26p at one point, after Mr Michael Woodhouse, chairman, said demand had softened in some of Bowater's markets since the end of June.

"This calls for short-term caution," he warned. "Confidence remains fragile."

Mr David Lyon, chief executive, said fears about President Clinton's tax plans had caused some weakening of the US market, and orders had slackened as customers reduced their stocks. In the UK, forward demand had also slackened in *spite* of last week's report from the Confederation of British Industry that the recovery was gathering pace.

"We are still confident that we are coming out of recession, but it is very fragile," Mr Lyon said. "It is not right for us to be very bland and shelter behind what the CBI said last week."

Analysts said the stock market reaction to Bowater's statement *was excessive.* One suggested the market was "*looking for* any excuse to slap companies."

"When Bowater can increase underlying profits, excluding acquisitions and disposals, by 11 per cent even in bad times, that must bode very well for the future," he said.

Turnover from continuing operations increased by 48 per cent, from £689m to £1.02bn.

That included a £119m contribution from new acquisitions, including Speciality Coatings International, acquired in March for $434m (£287m), Tower Packaging, acquired in May for $105m, and the remaining 44 per cent shareholding in MiTek, acquired in January for $55m.

While ongoing businesses increased operating profits by 11 per cent, the acquisitions made £13.1m, and there was a further gain of £4m from foreign exchange *movements.*

Group operating margins increased from 8.7 per cent to 8.8 per cent, with the margin in *the new acquisitions* a better-than-expected 11 per cent.

The interim dividend is lifted 13 per cent to 5.3p. Earnings increased to 12.3p (11p).

Gearing fell from 56 per cent to 48 per cent.

Mr Lyon said the group was unlikely to make any further *large-scale acquisitions* as it was concentrating on integrating and developing the most recent ones.

See Lex

Refinancing package for Bredero's Centre West project

By David Blackwell

CENTRE WEST, the ambitious Hammersmith office and *retail development which pushed* Bredero Properties deeply into the red last year, *has been refinanced with Bayerische Hypotheken-*und Wechsel Bank becoming the sole lender.

The project, began late in the construction boom because of long planning delays, will be held by a ring-fenced Bredero subsidiary, Bredero Centre West .

Bredero has been released from all financial liabilities to BCW which will continue to manage completion of Centre West. BCW has "a very limited prospect of residual profit after satisfying all its obligations to Hypo," Bredero said.

Bredero, 49 per cent-owned by Slough Estates, *is also* prohibited from paying any dividend to ordinary or preference shareholders until the *end of September next year.*

Last month it announced a pre-tax loss of £106.4m *for 1992 and net liabilities of £24.6m.*

The group said yesterday that the restruc*tured bank facilities would make* "a significant improvement to the financial position". Restating the 1992 balance sheet on a pro forma basis showed the group with net assets of £4.8m.

Bredero would now concentrate on its interests in the Paisley Centre, the Ashley Centre and the Hart Centre, and in the development sites at Centre West phase 2 and the Buchanan Centre, Glasgow.

Hypobank is providing a new £70m loan facility to Centre West. The bank acquired £74.7m of debt from the outgoing syndicate of 12 banks for a consideration of £16.3m. As part of the refinancing, BCW's debt has been written down by £58.4m. The bank said yesterday that it had *faith in the project, which was on time for its* scheduled completion next spring and was coming in under cost.

Yorkshire Food incurs seasonal loss of £376,000 but confident on full year

By David Blackwell

YORKSHIRE FOOD Group, the Bradford-based food processor floated in March, yesterday announced first-half pre-tax losses of £376,000 on sales of £29.5m.

However, Mr Mike Firth, chairman, chief executive and founder, pointed to the highly seasonal nature of the business, which is concentrated in the dried fruit and nut sector. *Last year only 35 per cent* of sales were made in the first half, with *the bulk coming in the run up to Christmas.*

"Losses in our business are quite typical in the first half," he said. "We are confident about our position for the full year."

No profits forecast was made at the time of flotation, but Panmure Gordon, which sponsored the placing, is forecasting full year profits of £5.3m.

The group, which this month completed the acquisition of 80 per cent of the dried fruit business of Del Monte, is also planning to dispose of its UK bakery division, which incurred losses before interest of £324,000 on turnover of £848,000.

The latest deficit followed a loss of £615,000 on sales of £22.5m in the 1992 first *half. For the full year pre-tax profits were* £2.72m on sales of £63.2m.

Operating profits were £86,000 for the first half. Mr Firth said this figure had been distorted by a first half loss from Treehouse Farms, the US almond producer acquired last year, which achieves 70 per cent of its sales in the second half.

While turnover of the US ingredients operations was up from £2.2m to £8m, the business dipped from operating profits of £17,000 to losses of £88,000.

In the UK, the dried fruit and nuts sector increased operating profits from continuing operations from £423,000 to £505,000.

The small beverages division, which roasts, grinds and distributes coffee, made an operating *loss of £7,000,* compared with a £54,000 profit, reflecting investment in a *new factory, warehouse and computer system.*

This increased overheads by about £300,000, but benefits would be reflected in the second half, the group said.

Losses per share were 2.19p. An interim dividend of 0.72p is declared.

Trencherwood moves back into the black after exceptionals

THE EFFECTS of an exceptional credit together with the sale proceeds of a subsidiary *enabled* USM-quoted Trencherwood, the Newbury-based housebuilder, *to move £1.82m* back into the black at the pre-tax level for the half year ended April 30.

These credits, totalling £3.45m, related primarily to adjustments resulting from the refinancing of the company approved by shareholders in February.

The pre-tax profit, which compared with a previous deficit of £16.4m, also reflected a £2m reduction in interest costs to £1.22m.

Turnover for the half year totalled £4.8m (£9.63m). However, since January the company had seen a marked improvement in purchaser confidence which in turn had fed through to increased sales.

The directors were "encouraged" by the way the housing market had recovered *in west* Berkshire and noted that so *far, the recovery had been sustained.*

They added that Trencherwood remained on course to achieve a return to profitability during 1994.

In April, planning consent was granted for the construction of a food superstore for J Sainsbury on land principally owned and controlled by an associate company. It was pointed out that the sale of the land should make a significant contribution to cash flow this year.

Borrowings at the period end amounted *to £25.8m (£48.2m).* Undiluted earnings per share emerged at 3.74p against losses of 65.6p.

L&M still in restructuring talks with banks

London & Metropolitan, the debt-laden property company, said yesterday that talks with its bankers regarding a substantial financial restructuring were taking longer than previously *anticipated.*

The company announced in *July that it had begun talks* aimed at securing agreement on its second restructuring in three years. These were expected to be finalised by the end of August.

Directors said yesterday that the "talks were proceeding well" and they expected the negotiations to be satisfactorily concluded. L&M will be sending its 1992 financial statements and a circular to shareholders by the end of this month.

The company has been struggling since incurring a £100m *loss in 1990, mainly reflecting* provisions against falling property values.

The company said in July that the latest talks were necessitated by the increase in negative net worth from £44m to £120m and because bank loans and working capital facilities had expired at the end of June.

Venables sells most of his Spurs stake to institutions

By Paul Taylor

MR TERRY Venables, Tottenham Hotspur's ousted chief executive, yesterday gave up his three-month legal battle to wrest control of the company, which controls the north London football club, *from Mr* Alan Sugar, its chairman.

Mr Venables said he had sold the bulk of his 23 per cent equity stake to a group of institutional investors for 91p a share, or about £3m. He retained only a 2.44 per cent holding.

Tottenham's shares ended the day 9p higher at 104p.

Mr Venables paid 75p for about 2.9m shares when he *and Mr Sugar, described at* the time as a dream ticket, *took control in mid-1991,* mostly using borrowed money.

He later converted a loan of £800,000 to the club into about 640,000 shares as part of a £7m rescue *rights issue*, at 125p a share, which was underwritten *by Mr Sugar.*

Based on these figures, Mr *Venables paid an average* price of about 85p.

The share sale appears to mark another important victory for Mr Sugar, who holds a 47.8 per cent stake.

Mr Venables will not now be going ahead with his High Court action, due to begin in *10 days time,* through which he was seeking to force Mr Sugar *to sell his stake to* him.

Early in the dispute Mr Sugar offered to buy Mr Venables' *stake at 87p a share, an* offer which the former manager and chief executive described at the time as derisory.

However, Mr Venables faced mounting legal costs, including demands for a £300,000 security for future costs. *Yesterday Mr Venables* said he was dropping his court action because he *did not want to* risk incurring huge costs if he lost the legal battle.

"I could not face the prospect or the risk of losing up to one million pounds," he said.

However, Mr Venables, who was originally sacked by Mr Sugar and the Tottenham board in mid-May, said yesterday he would still be seeking compensation for unfair dismissal.

Motor World acquires eight more outlets

Motor World Group, the car parts and accessories retailer, has made its first acquisition since coming to the market in February with a £27.7m tag.

At the time Mr Darrell Kershaw, managing director, *expressed the hope that the* company could expand from its existing 180 *outlets* to 300 within the next two years.

It is buying Mr Motor, an eight branch chain *of accessory shops* in Derbyshire and Nottinghamshire, for an undisclosed sum.

The company had sales of £1.5m last year.

Grafton falls to I£1.21m

PROFITS of Grafton Group, the Dublin-based builders' merchant and DIY concern, fell from I£1.85m to £I£1.21m (£1.13m) for the half year ended June 30.

Turnover was static at I£48.6m but interest charges were reduced from I£698,000 to £480,000 because of a lower level of debt and transactions in financial markets, the directors explained.

Although earnings per share fell to 5.6p (8.6p) the interim dividend is lifted from 2.75p to 3p.

Directors said an improving trend in profitability evident in the second quarter had continued in July and August.

They added that there was "evidence of some recovery" in the Irish and UK housing markets which would benefit the merchanting and manufacturing businesses.

A continuing improvement in trading on *the DIY* side was also expected.

PUBLIC WORKS LOAN BOARD RATES

Effective September 1

Years	Quota loans* EP†	A††	Maturity§
1			5⅝
Over 1 up to 2	5¾	5¾	6
Over 2 up to 3	5⅞	6	6¼
Over 3 up to 4	6⅛	6⅛	6½
Over 4 up to 5	6¼	6¼	6¾
Over 5 up to 6	6⅜	6⅜	7
Over 6 up to 7	6½	6½	7⅛
Over 7 up to 8	6⅝	6¾	7⅜
Over 8 up to 9	6¾	6⅞	7½
Over 9 up to 10	6⅞	7	7⅝
Over 10 up to 15	7¼	7½	7⅞
Over 15 up to 25	7¾	7⅞	8
Over 25	8	8	8

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

ACCOUNTANCY COLUMN

How companies have painted themselves into a corner

F.N. Arfin looks at the state of annual reports and asks if there is a better way of getting value for money

BETWEEN now and the late spring of 1994, millions of pounds will be spent on books nobody wants to write and hardly anyone really relishes reading. The annual report season is upon us.

As August 31 year-enders put the finishing touches to their documents, December 31 year-enders begin to assign responsibilities and select suppliers for their annual reports. All over the corporate world, managers brace themselves for an unpopular and expensive chore.

Why? The easy answer is that they have to. But no law, regulation or established industry standard requires the elaborate documents that will disappear into institutional libraries and line office rubbish bins for the next several months.

The truth is, having enthusiastically adopted the colourful, American-style annual report in the 1980s, most companies have painted themselves into a corner. While recognising that, as they are now constituted, annual reports have limited use, managers believe they have little choice.

When a company has produced glamorous annual reports for years, a U-turn to sobriety is unsettling for shareholders. Particularly as we appear to be emerging from prolonged recession, no company director wants to raise unwarranted questions and concerns.

Very large sums are at stake in the production of annual reports. Companies with large share registers enjoy economies of scale, making an average cost difficult to determine – but between £4 and £5 each, including postage, is not uncommon. Medium sized companies, publishing more modest reports can easily spend £150,000 in total. A large share register and a management taste for expensive presentation can bring the bill to £250,000 or more. The privatised companies, with their massive share registers, have become adept at reducing unit cost – to as low as 10p a copy – but their staggering postage bills make them substantial spenders.

A few brave companies have opted out of the money trap. When the Companies Act was amended to allow a summary financial report in a short form annual report, British Airways stopped producing a recognisable annual report altogether. Instead, BA publishes an undecorated report and accounts for investment professionals, a user-friendly, semi-annual newspaper for private shareholders, an annual fact book for analysts and professionals and an annual corporate magazine. The company estimates this highly segmented approach saves it about £450,000 a year.

In the US, McDonald's accompanied its most recent – and inexpensively produced – document with a video-tape. The 16-minute programme set out the company's medium-term strategy. Although the concept may seem flashy and expensive to some, the cost of reproducing more than 300,000 short, lightweight tape cassettes probably compares favourably to the cost of publishing a similar number of glossy documents. As a way of exposing resistant professionals to the non-financial communications messages, the McDonald's approach is decidedly clever; who can resist at least a peek?

Admittedly, few companies can follow the examples set by BA and McDonald's. The illustrated and designed annual report remains the most common approach.

The design and public relations communities experienced some criticism during the recession for establishing this standard. Yet consultants, who sold the idea of reaching audiences with carefully framed messages carried by themed texts and illustrations, were not wholly wrong. The problem is that for most British companies, the audience remains too narrowly defined.

British annual reports address the City and its mix of analysts, fund managers, bankers and journalists: a group resistant if not hostile to annual report embellishments. But anyone who reads a magazine or newspaper, watches a documentary or listens to factual radio programmes is bound to be influenced by subtle communications techniques to a degree.

American companies have long addressed their annual reports to wider audiences. It is common to attribute the style of American annual reports to the higher proportion of private shareholders in the US, where institutions control about 50 per cent of equity as opposed to around 80 per cent in Britain.

However, the better American reports recognise that shareholders, whether private or institutional, are not the only readers. They set out annually to deliver a persuasive case to any intelligent reader. And the financial community, despite its primary focus on the numbers, is interested more often than not.

The review section of the typical British annual report is a sop for the poor private investors, who more than make up in numbers what they lack equity. Private investors are regularly under-estimated. They are seen as unsophisticated; happy with photo essays and fat captions.

The illustrations may be beautiful, but texts range from pedestrian to indigestible. The level of useful information is virtually nil. What after all, does such typical annual report-speak as "satisfactory sales", "significant improvement", "substantial reduction", or "poised for recovery" really mean without sufficient context?

One active private investor, with holdings in about 20 companies, says: "The text gives you some idea about what kind of company it is. Not putting an effort in the front says something very negative about the business. If they can't be bothered to be imaginative about the front, one is safe to assume that they have a similar attitude to a lot of their business."

Corporate executives responsible for annual reports need to reconsider their view of private investors. ProShare, the organisation formed to represent the interests of private investors, publishes a bulletin that is full of letters about earnings per share, gearing, market capitalisation and similar topics from so-called unsophisticated private shareholders.

The paradox is that most of the money wasted on annual reports is in addressing private investors in the wrong way. Yet corporations have travelled this route so long that eliminating design, illustration and photography is unthinkable.

If annual reports are going to continue to be costly, perhaps the solution lies in making every pound work harder. This can only come about if corporate directors stop under-estimating the intelligence of the non-professional reader. To be effective, the quality of information content needs to be improved. As much attention ought to be devoted to text as visual content so that the two work more effectively together.

Lively, information-rich content aimed at a reasonably well educated reader makes an annual report more useful. As long as the numbers add up, the investment community is not likely to be put off. Most analysts and fund managers seem to be fairly neutral about non-financial material. Despite their protestations, they are often subtly influenced by interesting, readable information.

In 1992, the US company HJ Heinz reported on a large acquisition in the food service industry. One objective of the annual report was to direct the attention of the financial community to Heinz' substantial turnover in this sector. The details and ramifications of the acquisition were presented without illustrations. But the front of the book was devoted to a magazine-style essay on the company's behind the scenes activities. Every City analyst shown the report reacted to that essay. "I never realised food service was such a big part of their business," was a typical response. Heinz, in effect, steered the agenda for professional discussion while addressing a more general audience.

Annual reports cost a lot of money – that is a fact. But given thought, they don't have to waste it.

F.N. Arfin is the author of Annual Reports That Pay Their Way. £35. Published by Financial Times/Pitman.

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The group, which intends to increase its focus on acquisition and development of oil and gas assets, has a turnover of £30 m, *is cash rich and despite a recent profits warning caused by* systems not keeping up with the speed of growth, analysts expect profits of around £6 m in 1993. Total staff comprise 15 in oil and gas, 300 in communications and 5 at the head office in Edinburgh.

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Computers spark price plunge for gold and silver

By Kenneth Gooding, Mining Correspondent

GOLD AND silver prices plunged in late trading yesterday as the computers programmed by some New York investment funds sent out "sell" signals. Silver lead the way and lost nearly 10 per cent of its value in a few minutes of hectic activity and touched $4.35 a troy ounce before closing in London at $4.49, down 32 cents.

This provided a catalyst for the funds to start selling gold – many of them link their computerised precious metals investment programmes. The gold price at the London bullion market touched $361.50 an ounce at one point before recovering to close at $364.50, down $5.25.

Only one month ago, on August 2, gold reached $406.70 an ounce, its highest level since the outbreak of the Gulf war in January, 1991. "The froth in the market is being blown away," said Mr Andy Smith, analyst with the Union Bank of Switzerland.

He pointed out that some New York investors were squaring their market positions ahead of the long Labour Day weekend (the Labour Day holiday in the US is on September 6).

Physical demand for gold in the Far East and the Middle East remained weak and the market might even be oversupplied at present. The best hope for the gold bulls was that there would be a seasonal pick-up in demand for physical gold so that the market would be stabilised.

Mr Smith was sticking to his forecast, first made in July, that gold would average $350 an ounce in the last three months of 1993.

Mr James Leahy, analyst at Credit Lyonnais Laing, suggested a range of between $375 and $380 an ounce was more likely in the last part of this year, with the price perhaps ending 1993 at about $400. He pointed out that yesterday's sell-off took place in a seasonally very quiet market when "a little selling goes a long way".

However, if gold's closing price on the New York Commodity Exchange today was below $365, "it would be worrying for gold bulls." If gold was above that level, "all is not lost".

Weather worries keep soya traders on their toes

By Laurie Morse in Chicago

WITH ONLY a few weeks to go until the start of the US soyabean harvest, Chicago commodity futures traders are keeping open telephone lines to private weather forecasters.

The weather men have the rapt attention of the market at the moment because late-planted crops and surplus moisture have delayed soyabean plant development. The lateness of the crop makes it vulnerable to early frost, while prolonged periods of fine weather will increase yields and produce a larger harvest.

A "weather market" is characteristically volatile, and Chicago soyabean prices this week have certainly been that.

Talk of an early frost abated Monday when the National Weather Service forecasted normal temperatures in the maize and soyabean belt for the coming week. The long-term 30-day forecast predicted normal to below normal temperatures, but contained no indication of a late September frost.

Futures prices for soyabeans to be delivered in November, just after harvest, dropped by more than 10 cents a bushel on Tuesday at the Chicago Board of Trade in response to the forecast and by a similar amount on Wednesday, ending at $6.54¾ a bushel.

Private forecasters, traders said, had confirmed the government's weather predictions.

Yesterday morning, however, soyabean futures steadied as managed futures funds bought back short positions taken out earlier in the week and the November price bounced to $6.62½ a bushel. In late trading the price had settled back to $6.57 a bushel, up 2¾ cents on the day, but that was still well below the summertime high of $7.57½ a bushel.

Mr Gerry Gidel, crop analyst with Dean Witter Reynolds in Chicago, says that the only predictable feature in the soyabean market until harvest time will be uncertainty.

"People are still trying to determine yields. We get weekly crop progress numbers, and we can tell the crop is maturing." However, he said, it was difficult to determine how productive the plants were. The US Department of Agriculture will issue its next estimate of crop size next Thursday.

India tries to smooth out silk trade problems

Chinese imports are being blamed for depressed domestic prices, writes Kunal Bose

THE INDIAN silk trade, which has a powerful lobby in New Delhi, wants the government to impose further restrictions on imports of Chinese silk, which it blames for the depressed prices prices of indigenous silk that are damaging the livelihoods of nearly 1m growers.

Exporters of silk goods, who mostly use the Chinese silk yarn because of its superior quality, have warned, however, that exports will fall sharply if any more restrictions are placed on the import of raw silk.

At present only the exporters are allowed to import silk yarn, on condition that they add 150 per cent to its value value in producing goods for export. Last year, India exported silk goods worth Rs7.34bn (£155m).

To placate the growers the federal government has reintroduced the pre-inspection of export shipments of silk goods to ensure that the imported yarn has been properly used. There may have been some diversion of imported silk into the market during the one year period when there was no pre-inspection, admits Mr S Shah, spokesman for the Silk Association of India. "But this certainly did not call for checking silk export cargoes.

"The system breeds corruption. The inspectors' prime concern is to collect money from the exporters [rather] than to ensure that the goods are in order."

India is the second largest producer of silk after China. But the domestic demand, particularly in the form of women's sarees, is so strong that only about 15 per cent of the indigenous silk production of about 13,000 tonnes is available for weaving silk fabrics and carpets for export. Moreover, as Mr P.S.S. Thomas, secretary of the Central Silk Board, admits, Indian silk yarn is not strong enough for use in high speed weaving machines.

India must depend on imported yarn for the production of high-value, flawless silk for the export market. Nevertheless, there is an overseas market for silk fabrics produced by hand loom units using Indian raw material.

India officially imports nearly 3,000 tonnes of silk from China. "There is very little evidence that the Chinese silk is also smuggled into India," says Mr Thomas. The incentive to smuggle in Chinese silk remains, however, as it is at least 30 per cent cheaper than the Indian silk. Some imports also come from South Korea.

The Central Silk Board, says Mr Thomas, favours the discontinuance of the import of ungraded Chinese silk.

China, with a production of over 55,000 tonnes, controls 90 per cent of the world trade in silk. But, more than the imports from China, it is the continuous increase in domestic production since 1986-87 that has depressed Indian silk prices. Even so, Indian prices remain the highest in the world.

Mr Thomas says the farmers will have to seek better returns by way of productivity improvement. India produces less than 40kg of raw silk per hectare (2.471 acres), compared with 80kg in China and 120kg in Japan.

The twin problems of low productivity and inferior quality are being tackled through the World Bank and Swiss Development Corporation funded Rs5.5bn National Sericulture Project. The seven year project, now in its fifth year, is bringing about an improvement in silk growing practices by making available to the farmers high-yielding mulberry saplings (on which silk works feed), quality silk worm eggs and scientific methods of silk worm rearing.

The project is designed to strengthen the sericulture infrastructure in the traditional silk growing states of Karnataka, Andhra Pradesh, Tamil Nadu, West Bengal and Jammu & Kashmir and promote silk growing in 12 other states.

Mr Thomas says that it has already resulted in an additional 64,000 hectares of land being brought under mulberry cultivation, beating the target of 56,000 hectares. The project will raise silk production by 6,000 tonnes and create employment for another 1m people.

Under another sericulture programme funded by Japan, attempts are being made to develop bivoltine, a superior quality of silk worm, for the Indian tropical climate. And a breakthrough is confidently expected.

India is also hopeful of getting technical know-how from China in the near future. Mr Thomas thinks it will facilitate the production of "a good quantity of high quality silk in India if private corporations are involved in sericulture". The corporations can get into the business either by acquiring land or by entering into some kind of arrangement with the farmers. Among the more important Indian business houses which are looking into sericulture seriously are the Kirloskars, the Thapars, RPG Enterprises and SPIC, Mr Thomas says.

Japan's silk industry organisation plans to cut production and build up stocks to help support prices, reports Reuter from Tokyo.

Nihon Kikai Seishi Kougyou Kumiai, the Japan silk manufacturers' co-operative, decided at a directors' meeting to cut more than five working days a month for at least three months. This will cut silk output by a total of 4,000 bales (60kg each).

It also decided to build up 1,000 bales of stocks by the end of September and to set up a committee to consider scrapping some production facilities.

The silk manufacturers will ask the agriculture ministry to continue selling imported silk from its stocks while buying the same amount of domestic raw silk in return. The operation supports raw silk futures prices as imported silk is not deliverable on futures exchanges here.

Spot silk prices have dropped below the government-set standard silk price of Y10,712 (£68) a kilogram since last month. When prices fall below the standard price, the semi-official Silk Agency may buy silk to stabilise prices.

The spot silk price in Yokohama stood at Y8,310 a kilogram on Wednesday, against Y8,500 on Tuesday.

Malaysian tin industry wilts as market slumps

By Kieran Cooke in Kuala Lumpur

DIRE PREDICTIONS are being made about the future of Malaysia's tin industry following this weeks price plunge to fresh lows this week on the Kuala Lumpur Tin Market. Tin was trading at around M$11.60 ($4.50) a kilogram mark on the KLTM – the first time prices had dropped below the M$12 level.

"Over the last two years a record number of Malaysia's tin mines have closed down," said a tin trader. "With these kind of prices it can't be long before the whole industry collapses."

Malaysia was once the world's biggest tin producer. But production of tin in concentrates fell to 14,339 tonnes last year compared with 20,710 in 1991. Traders are predicting that Malaysia's output will fall below 10,000 tonnes this year.

The Association of Tin Producing Countries is due to meet in Kuala Lumpur at the end of October to discuss ways to reduce global tin stockpiles and improve prices. "The market is really going crazy and this spells trouble for the industry" said Mr Redzwan Sumun, the ATPC's executive secretary.

The association groups Malaysia, Australia, Bolivia, Indonesia, Thailand, Nigeria and Zaire, which together account for about 60 per cent of world tin production. Malaysia's tin producers want the ATPC to abandon its export quota system, saying it has done nothing to improve prices.

Non-ATPC countries such as China and Brazil are blamed for increasing their tin exports, frustrating attempts by the association to reduce a global tin stockpile now estimated at 40,000 tonnes. Traders say recent large sales of tin by the US Defence Logistics Agency have also led to a market glut and low prices.

Malaysia, a relatively high cost producer, has been particularly badly hit by the prevailing low market prices. Foreign buyers are also reported to be staying away from the Kuala Lumpur market because of the continued strength of the Malaysian dollar against the US currency.

Pakistan and India join forces to combat looming locust threat

By Farhan Bokhari in Islamabad

A TEAM of senior Pakistani agricultural officials, accompanied by UN specialists, visited the city of Rahim Yar Khan in Southern Punjab this week, amid growing concerns over a potential locust attack.

The large cotton crop is considered to be faced with the greatest risk, followed by sugar-cane, senior officials say.

The sense of urgency has pushed both India and Pakistan – South Asia's two main rivals – to co-operate in launching a large-scale locust emergency operation on both sides of their borders in Punjab and along the Pakistani province of Sindh.

Plant protection officials from the two sides are reported to have maintained daily radio contact during the past week.

Mr Zahid Saeed, Pakistan's acting foreign secretary said earlier this week in response to questions on Indo-Pakistani co-operation: "This is a common problem, we'll have to face it together close to border areas".

"Locusts don't need passports or visas to travel," he said. "They can ruin crops on either side of the border," added a senior Western diplomat in Islamabad.

Some senior officials also say that military commanders from both countries have also been in touch, to avoid fire on spraying aircrafts and helicopters.

"We have to avoid any accidents because as you know, there are troops on both sides," said one official.

Some officials say that they are pressed for time and money. The next week is considered to be the crucial period for stepping up spraying operations, before the locusts start flying to areas with large crop lands.

The spraying operations on the Pakistani side are estimated to cost $1.3m. So far, only $300,000 dollars has been committed in aid by bilateral donors and the UN Food and Agriculture Organisation.

Australian wheat crop forecast raised

THE AUSTRALIAN Wheat Forecasters consultancy has raised its forecast for the Australian wheat crop to 15m tonnes for the year ending March 31, 1994, up from last month's prediction of 14.9m tonnes but still below last year's actual crop of 15.33m tonnes.

AWF put the area sown to wheat at 9.75m hectares in 1993/94 compared with last month's forecast of 9.9m and 9.07m last year.

It said the development of the Western Australian wheat crop had been the most significant event over the past month, with regular rain and early sowing suggesting that the state should produce wheats of higher than average protein levels.

Rubber producers may pull out of price pact

THE WORLD'S biggest rubber producing nations began a meeting here yesterday to discuss the possibility of pulling out of the International Natural Rubber Agreement in protest at the failure of consuming country members to renegotiate the pact, Reuter reports from Bangkok.

Members of the Association of Natural Rubber Producing Countries, said their threat to quit the agreement stemmed from delay by consumers to agree on amending its terms for shoring up chronically weak rubber prices.

The six-member ANRPC, led by Malaysia, Indonesia and Thailand, has tried for two years to negotiate a new pact to replace the current six-year agreement, which is due to lapse in December.

Producers said earlier that they would block an automatic two-year extension of the pact at the next council meeting of the International Natural Rubber Organisation in November persisted in impeding efforts by exporters to raise prices.

Inro, which administers the current agreement, groups producers in ANRPC and more than 20 consumers led by the US, the European Community and Japan.

Leading ANRPC members have said they may launch their own price support efforts if the current United Nations-sponsored pact is not improved in favour of producers.

Rubber prices have declined to 30-year lows in real terms.

Producers, led by Malaysia, Indonesia and Thailand, have been in deadlock with consumers since March on whether to cut Inra's reference price, currently 207.2 Malaysian/Singapore cents a kilogram, the median point of a range outside which market intervention is triggered.

The price must be cut by 5 per cent if the average daily Inro market indicator price is below the group's "may-buy" level of 175 cents in the six months before the review.

A Thai official said producers had offered to accept a price cut at the last Inro meeting in Kuala Lumpur in May on condition that consumers commited themselves to working on a new agreement.

WORLD COMMODITIES PRICES

MARKET REPORT

The London Commodity Exchange **COCOA** market was stuck in a weaker trend throughout the afternoon, with the December position closing £2 above the day's low at £820 a tonne, £9 down on the day. Dealers said prices were being allowed to slip back in the absence of manufacturer buying. At the London Metal Exchange **COPPER** prices built on early gains and the three months position closed $17.50 higher at $1,953 a tonne, despite a slight narrowing in the cash premium. Dealers said heavy buying from quarters influential in supporting the market recently ensured that there was to be no price collapse. Early firmness in the **NICKEL** market was not maintained, with European merchant selling and profit-taking eating into gains. The three months delivery price, which had touched $4,700, closed at $4,596.50 a tonne, down $32. Further losses were registered in after hours trading. **TIN** prices mounted a small rally from fresh 20-year lows, but remained depressed by poor fundamentals. The three months position closed unchanged at $4,677.50 a tonne. **ALUMINIUM** was steadier, regaining most of the week's earlier losses.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$14.55-4.60u	-.025
Brent Blend (dated)	$16.51-6.53	-0.03
Brent Blend (Oct)	$16.79-6.81	-0.03
W.T.I (1 pm est)	$17.97-7.99u	-0.02
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$191-193	
Gas Oil	$164-166	+2.5
Heavy Fuel Oil	$62-64	+0.5
Naphtha	$157-159	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$364.5	-5.25
Silver (per troy oz)♣	449.00c	-32.00
Platinum (per troy oz)	$379.75	-0.75
Palladium (per troy oz)	$122.20	-1.30
Copper (US Producer)	90.00c	-1.00
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	11.70m	-0.30
Tin (New York)	214.5c	
Zinc (US Prime Western)	Unq	
Cattle (live weight)†	129.46p	-1.63*
Sheep (live weight)†♣	83.97p	-0.03*
Pigs (live weight)†	71.38p	+1.87*
London daily sugar (raw)	$243.60	+2.00
London daily sugar (white)	$281.00	-2.00
Tate and Lyle export price	$272.50	+0.50
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£172.0	
Wheat (US Dark Northern)	£168.5u	
Rubber (Oct)♥	61.50p	
Rubber (Nov)♥	62.00p	
Rubber (KL RSS No 1 Jul)	213.5m	+1.0
Coconut oil (Philippines)§	$440.0v	+5.0
Palm Oil (Malaysian)§	$355.0	-2.5
Copra (Philippines)§	$390.0	
Soyabeans (US)	£195.0	
Cotton "A" Index	54.45c	-0.55
Wooltops (64s Super)	327p	-3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Sep y-Sep/Oct u-Oct t-Oct/Dec x-Aug/Sep ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low
Oct	265.50	264.00	265.50 263.50
Dec	258.50	257.20	258.50 256.50
Mar	262.00	260.00	262.80 260.00
Aug	269.20	268.60	269.20
Oct	260.20	259.60	260.20

White 979 (1455) Paris- White (FFr per tonne): Oct 1542.87 Dec 1508.34

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Oct	16.74	16.73	16.86 16.66
Nov	16.94	16.94	17.04 16.87
Dec	17.10	17.11	17.18 17.08
Jan	17.26	17.27	17.29 17.23
Feb	17.35	17.48	17.35
IPE Index	16.93	17.19	

Turnover 21834 (36364)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Sep	161.75	160.00	161.75 158.75
Oct	163.75	162.75	164.00 162.50
Nov	165.50	164.75	165.75 164.50
Dec	167.75	167.25	168.00 166.75
Jan	169.50	169.00	169.50 168.50
Feb	168.50	168.50	169.00 168.50
Mar	167.25	166.50	167.26
Jun	163.00	162.75	163.25 163.00

Turnover 11198 (12884) lots of 100 tonnes

FRUIT AND VEGETABLES

English apples are this week's best fruit buy, reports FFVIB. Discovery apples are at 30-40p a lb (30-40p) and English Katy new in at 30-50p. Ivory Coast pineapples are an excellent buy at 80p-£1.25, depending on size (£1.00-£1.75). English corn-on-the-cob is in peak supply at the moment and terrific value at 25-35p a cob (24-35p). English cauliflowers are also a good buy at 35-50p each, depending on size (35-50p). English and Spanish bobby beans are 55-80p a lb (70p-£1.00). Crisp English Cos lettuces are this week's best salad buy at 30-55p each (30-55p). English and Dutch tomatoes are 35-50p a lb (35-50p).

COCOA – LCE (£/tonne)

	Close	Previous	High/Low
Sep	791	796	798 787
Dec	820	829	835 818
Mar	842	850	847 840
May	853	861	856 852
Jul	863	870	865
Sep	873	882	877 872
Dec	887	896	891 887
Mar	900	909	906 898
May	910	918	918 911

Turnover: 5093 (5336) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 1 846.86 (841.10) 10 day average for Sep 2 824.50 (819.69)

COFFEE – LCE ($/tonne)

	Close	Previous	High/Low
Sep	1330	1338	1345 1330
Nov	1264	1263	1272 1256
Jan	1225	1231	1230 1222
Mar	1212	1214	1219 1207
May	1205	1203	1210

Turnover: 3195 (4536) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 1 Comp. daily 70.83 (70.43) 15 day average 68.39 (67.96)

POTATOES – LCE (£/tonne)

	Close	Previous	High/Low
Apr	78.8	78.5	78.1 77.0

Turnover 20 (8) lots of 20 tonnes.

SOYAMEAL – LCE (£/tonne)

	Close	Previous	High/Low
Oct	-	-	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – LCE ($10/index point)

	Close	Previous	High/Low
Sep	1390	1383	1390 1380
Oct	1434	1408	1434 1410
Nov	1448	1427	1450 1435
Jan	1445	1430	1450 1435
Oct	1470	1485	1470
BFI	1414	1422	

Turnover 166 (115)

GRAINS – LCE (£/tonne)

Wheat	Close	Previous	High/Low
Sep	100.75	101.25	100.40 100.15
Nov	102.15	102.50	102.15 101.40
Jan	104.25	104.60	104.25 103.60
Mar	106.20	106.60	106.00 105.60
May	108.40	109.00	108.50 107.80
Barley	**Close**	**Previous**	**High/Low**
Sep	100.00	99.65	99.50
Nov	101.65	101.55	101.00
Mar	105.65	105.75	105.00 104.85

Turnover: Wheat 754 (599) Barley 56 (45).
Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Sep	98.8	98.5	

Turnover 0 (0) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 26,369 lots
Cash	1148.5-9.5	1140.5-1.5	1146.5/1145	1148.5-6		
3 months	1169-70	1162-2.5	1170/1162	1165.5-6	1168-7	244,384 lots
Copper, Grade A ($ per tonne)						Total daily turnover 9,939 lots
Cash	1968-9	1970-2	1977/1970	1975-80		
3 months	1952-4	1935-6	1952/1905	1943-4	1948-50	184,362 lots
Lead ($ per tonne)						Total daily turnover 3,059 lots
Cash	382.5-3	384-4.5		382-2.5		
3 months	398.5-9	398-8.5	397.5/395	397-7.5	395-6	23,898 lots
Nickel ($ per tonne)						Total daily turnover 10,542 lots
Cash	4540-5	4575-80		4610-4		
3 months	4595-6	4627-30	4690/4560	4660-5	4580-5	46,403 lots
Tin ($ per tonne)						Total daily turnover 3,344 lots
Cash	4630-5	4625-30		4644-6		
3 months	4675-80	4675-80	4700/4650	4690-1	4670-5	10,732 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 20,151 lots
Cash	869-70	871.5-2	868	867.5-8		
3 months	884.5-5	887-7.5	887/883	883.5-4	885-6	81,774 lots

LME Closing £/$ rate: SPOT: 1.5010 3 months: 1.4914 6 months: 1.4852 9 months: 1.4787

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	364.00-365.00	
Opening	369.10-369.50	
Morning fix	369.20	245.871
Afternoon fix	369.25	246.218
Day's high	368.50-369.25	
Day's low	364.00-365.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.71	6 months	2.82
2 months	2.67	12 months	2.81
3 months	2.84		

Silver fix	p/troy oz	US cts equiv
Spot	314.90	472.00
3 months	319.25	475.35
6 months	323.45	478.25
12 months	332.15	485.05

GOLD COINS

	$ price	£ equivalent
Krugerrand	369.00-372.00	245.00-247.00
Maple leaf	376.90-379.30	-
New Sovereign	87.00-90.00	58.00-60.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1125	40	70	8	17
1150	24	55	17	26
1175	13	41	30	37
Copper (Grade A)	**Calls**		**Puts**	
1900	[illegible]	88	13	58
1950	49	64	30	83
2000	26	45	57	113
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
1200	104	102	40	77
1250	75	79	61	104
1300	54	61	90	136
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
775	67	98	22	31
800	51	69	31	41
825	38	68	43	51
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
1700	10	50	38	53
1750	5	27		
1800	3	14		122

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	363.6	369.9	0	0
Oct	364.5	370.8	370.8	362.0
Nov	365.4	371.7	0	0
Dec	366.3	372.6	372.4	364.0
Feb	368.0	374.3	373.2	365.0
Apr	369.6	376.0	374.8	368.5
Jun	371.3	377.7	370.8	370.0
Aug	372.9	379.4	0	0
Oct	374.7	381.2	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	373.1	381.1	382.0	371.1
Jan	373.6	381.6	381.0	372.5
Apr	374.2	382.2	379.0	375.0
Jul	375.0	383.0	378.0	378.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	456.8	473.9	472.0	440.0
Oct	458.0	475.1	0	0
Nov	460.4	477.5	0	0
Dec	461.0	478.5	477.0	440.0
Jan	461.5	479.0	0	0
Mar	465.4	483.0	481.5	445.0
May	468.6	486.2	483.0	453.5
Jul	471.5	489.2	486.0	460.0
Sep	474.7	492.5	491.0	461.0
Dec	479.7	497.7	495.5	463.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	85.45	83.40	86.50	84.50
Oct	85.55	83.60	85.40	86.40
Nov	86.65	83.70	86.80	86.80
Dec	86.75	83.85	87.20	84.80
Jan	86.75	83.90	85.00	85.00
Feb	86.75	84.00	0	0
Mar	86.85	84.05	87.00	85.20
Apr	86.85	84.10	0	0
May	86.90	84.20	86.90	85.50
Jun	86.90	84.30	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	17.94	17.97	18.10	17.82
Nov	18.36	18.27	18.38	18.16
Dec	18.46	18.45	18.57	18.38
Jan	18.65	18.60	18.65	18.54
Feb	18.79	18.72	18.79	18.72
Mar	18.88	18.84	18.90	18.83
Apr	19.02	18.93	19.02	18.92
May	19.01	19.01	0	0
Jun	19.15	19.09	19.15	19.07
Jul	19.19	19.16	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	53.10	53.12	53.50	52.80
Nov	54.05	54.12	54.40	53.65
Dec	56.10	55.12	55.30	54.68
Jan	56.70	55.77	55.90	55.35
Feb	56.76	55.90	55.95	55.60
Mar	55.05	55.20	55.25	55.05
Apr	54.10	54.10	0	0
May	53.30	53.30	0	0
Jun	52.80	52.65	53.00	53.00
Jul	53.00	53.10	53.25	53.25

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	981	987	990	980
Dec	1057	1076	1071	1053
Mar	1105	1125	1116	1101
May	1131	1145	1136	1122
Jul	1151	1166	1156	1164
Sep	1169	1167	1177	1169
Dec	1189	1207	1200	1197
Mar	1219	1256	1225	1219
May	1242	1258	1235	1231

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	75.45	76.40	76.50	75.00
Dec	78.00	78.95	79.05	77.90
Mar	80.30	81.10	81.50	80.10
May	81.50	82.45	82.00	81.50
Jul	82.75	83.75	0	0
Sep	83.90	84.95	0	0
Dec	88.00	88.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.09	9.18	9.23	9.06
Mar	9.47	9.50	9.58	9.43
May	9.64	9.69	9.70	9.60
Jul	9.72	9.75	9.80	9.68
Oct	9.74	9.79	9.84	9.70

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	55.77	54.45	56.80	54.85
Dec	57.23	55.82	57.35	56.05
Mar	58.75	57.40	58.80	57.05
May	59.35	57.85	59.35	58.20
Jul	59.80	58.61	59.70	59.10
Oct	60.35	59.51	58.72	58.72
Dec	60.35	59.70	60.30	59.75

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	122.05	120.50	122.10	120.50
Nov	125.10	123.35	125.50	123.10
Jan	126.15	123.65	126.30	124.30
Mar	127.75	125.55	127.25	125.50
May	129.00	127.00	127.00	127.00
Jul	129.25	127.25	0	0
Sep	129.25	127.25	0	0
Nov	129.25	127.25	0	0
Jan	129.25	127.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sep 2	Sep 1	mnth ago	yr ago
1626.1	1629.4	1657.5	1514.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 1	Aug 31	mnth ago	yr ago
Spot	122.79	123.52	125.15	118.66
Futures	125.57	126.73	132.18	118.19

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	659/4	652/4	660/0	652/4
Nov	661/0	654/6	663/0	655/4
Jan	666/4	661/0	666/6	661/4
Mar	672/0	666/2	673/4	666/4
May	674/0	668/4	674/4	668/4
Jul	676/0	670/4	678/0	671/4
Aug	673/4	667/0	674/0	670/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	23.55	23.36	23.63	23.34
Oct	23.65	23.44	23.75	23.44
Dec	23.83	23.68	23.98	23.65
Jan	23.92	23.75	24.07	23.77
Mar	24.04	23.88	24.15	23.87
May	24.06	23.88	24.20	23.88
Jul	24.03	23.88	24.10	23.87
Aug	23.85	23.75	23.85	23.85

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	208.4	207.0	208.5	206.8
Oct	206.4	205.9	207.2	205.6
Dec	206.6	206.2	207.4	205.7
Jan	206.7	206.6	207.5	206.1
Mar	207.7	208.1	208.8	207.4
May	207.7	208.7	208.8	207.5
Jul	208.9	209.1	209.5	208.4
Aug	207.0	208.3	208.0	207.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	227/0	225/4	228/0	226/2
Dec	235/2	233/6	236/2	234/2
Mar	243/6	242/4	244/6	243/0
May	249/0	248/2	250/0	248/4
Jul	252/0	251/2	253/0	251/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	304/2	307/0	307/0	304/0
Dec	312/2	313/4	315/6	312/0
Mar	315/4	318/4	319/0	315/4
May	310/4	309/6	313/0	310/0
Jul	301/0	302/0	302/4	300/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	76.150	75.650	76.200	75.575
Dec	76.050	75.550	76.050	75.950
Feb	76.275	75.875	76.300	76.000
Apr	77.100	76.925	77.100	76.875
Jun	73.700	73.500	73.750	73.500
Aug	72.450	72.300	72.525	72.450

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	47.125	47.000	47.225	46.825
Dec	46.750	46.425	46.800	46.400
Feb	46.025	45.475	46.150	45.460
Apr	44.250	44.025	44.325	44.050
Jun	49.200	49.100	49.200	49.100
Jul	48.150	48.150	48.200	0
Aug	47.075	47.000	47.125	47.050

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	50.350	50.600	50.550	49.950
Mar	49.975	50.075	50.300	49.725
May	51.100	51.200	51.100	51.000
Jul	50.450	50.400	51.000	50.450
Aug	50.650	50.450	50.650	0

Selling pressure in equities increases

By Terry Byland,
UK Stock Market Editor

STORM clouds were gathering over the London stock market yesterday and US support for the drug stocks finally proved unable to counterbalance downward pressures across the wider range of equities. Weakness in UK government bonds, another round of unsettling company trading statements, and the first of the feared rights issues, combined to fuel profit-taking selling pressure.

Traders were divided between those who hoped that the easier trends of the past two sessions were only to be expected in view of the close tonight of the extended three week equity trading account, and those who believe that the market may face a more fundamental correction. However, the big investment institutions remained unwilling to sell stocks and confidence in year-end predictions remained sound.

The setback was the more significant in view of strong gains in the international drug stocks which were heavily bought from across the Atlantic at first on reports from Washington that President Clinton has dropped the idea of short term price controls on the healthcare industry . The sector led the London market ahead to a gain of 8.9 in early trading but buying support was soon lacking.

Losses in UK bonds, finally extending to around half a point in the longer dates, cut into equity gains. The market took a further tumble when a slow start on Wall Street appeared to leave London without the US support that has been significant in recent sessions.

The final reading on the FT-SE Index showed a fall of 12.5 to 3,072.6, just above the day's low. But gains in the drug sector, notably Glaxo, SmithKline Beecham, Wellcome and Zeneca, were worth plus nine points on the Footsie, indicating the depth of underlying weakness in the domestic stocks.

This raised concerns about predictions in the market that a shakeout was likely in the near term. Confidence sounded uncertain last night as market traders watched the bond market and the company reporting list with some degree of apprehension.

The £307m rights issue call from Rolls-Royce, the aero-engine group, was slightly smaller than feared, while a maintained dividend at Ladbroke, the leisure group, was welcomed. However, worries over impending company results came into sharper focus in late dealings when Bowater fell sharply despite good profits news after upsetting the stock market with a cautious interim statement.

The reaction to the Bowater statement appeared to underline the current nervousness on the company front, which in turn reflects its need for confirmation of recovery in the domestic economy.

Once again, trading volume increased as the Footsie fell away, and the final total of 674.3m shares traded through Seaq compared with 612.2m on the previous day. More significantly, retail, or customer business rose to £1.45bn on Wednesday when the equity market began to turn lower.

The UK corporate reporting diary is light today but equity strategists will scan the domestic money supply data for signs of further recovery in the UK economy, and the leading US economic indicators for similar evidence from across the Atlantic.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	5,700	64½	-1½
Abbey National†	3,400	387	-6
Albert Fisher	3,100	71	
Allied-Lyons†	2,100	610	-16
Anglian Water†	484	530	+1
Argos	1,000	343	+1
Argyll Group†	3,900	329	-3
Arjo Wiggins†	939	206	-3
Assoc. Brit. Foods†	303	604	-7
Ass. Brit. Ports	739	461	
BAA†	1,800	838	+11
BAT Inds.†	4,700	450	-12½
BET	3,100	126½	+1½
BICC	408	410	
BOC†	1,600	679	+11
BP†	8,500	313	+1
BPB Inds.	3,300	239	+7
BT†	11,000	428	
BT (P/Paid)	11,000	186	+1
BTR†	3,200	394	-3
Bank of Scotland†	4,000	173	+1
Barclays†	3,700	490	-8
Bass†	2,800	483	-16
Blue Circle†	1,600	287	+2
Booker	87	438	+1
Boots†	2,100	495	-6
Bowater†	6,200	494	-31
Brit. Aerospace†	954	431	-5
British Airways†	2,500	362	+3
British Gas†	3,800	332	[illegible]
British Land	919	380	
British Steel†	3,900	112½	-1
Bunzl	92	142	-1
Burmah Castrol†	984	813	+15
Burton	3,600	75½	
Cable & Wire.†	1,300	859	-1
Cadbury Schweppes†	732	484	-8
Calor Group	13	276	
Carlton Comms.†	2,700	783	-9
Coats Viyella†	2,200	248	
Comm. Union†	1,700	593	-10
Cookson	2,900	220	-11
Courtaulds†	1,000	552	-7

	Volume 000's	Closing Price	Day's change
Dalgety	331	513	+5
De La Rue†	388	886	-5
Dixons	1,400	224	-2
Eastern Elect.	331	538	-5
East Midland Elect.	481	525	-2½
Eng China Clays	710	463	-5
Enterprise Oil†	1,600	469	+7
Eurotunnel Units	55	459	-6
FKI	3,900	145	-1
Fisons	3,100	179	
Foreign & Col. I.T.	800	246½	-2½
Forte†	5,100	244	+8
Gen. Accident†	912	657	-16
General Elect.†	5,800	349	-5
Glaxo†	13,000	636	+22
Glynwed Intl.	220	312	-3
Granada†	786	433	+1
Grand Met.†	3,800	445	-10
GUS A†	500	2010	-13
GRE†	1,700	210	-7
GKN	564	495	+3
Guinness†	3,000	493	-16
HSBC (75p shs)†	1,800	717	-9½
Hammerson "A"	221	369	+5
Hanson†	13,000	255	-4½
Harrisons Crosfield	738	117	
Hillsdown	2,100	199	-1
IMI	[illegible]	297	-1
ICI†	2,400	721	-10½
Inchcape†	1,300	571	-9
Johnson Matthey	1,500	473	+1
Kingfisher†	1,100	666	-12
Kwik Save	212	734	-7
Ladbroke†	23,000	210	+8
Land Securities†	2,400	684	-4
Laporte	82	627	-1
Legal & General†	1,600	471	-8
Lloyds Abbey	667	489	-8
Lloyds Bank†	1,500	539	-7
LASMO	2,000	145	-2
London Elect.	278	540	+1
Lonrho	1,300	126	-2
Lucas	4,600	163	+4

	Volume 000's	Closing Price	Day's change
MB Caradon†	303	338	+1
MEPC	2,100	487	+1
MFI	12,000	146	+3
[illegible]	394	598	-2
Marks & Spencer†	8,600	387	+3½
Midlands Elect.	102	559	-3
Morrison (Wm.)	414	142	-3
NFC†	139	270	-1
NatWest Bank†	1,300	494	-5
National Power†	1,800	365	-1½
Next	2,500	199	-7½
North West Water†	730	527	+3
Northern Elect.	98	569	+3
Northern Foods†	3,600	291	+5
Norweb	66	569	+2
Pearson†	1,300	613	+4
P & O†	2,600	661	+13
Pilkington	5,400	183	+7
PowerGen†	2,400	392	-5
Prudential†	2,300	336	-3
RMC†	646	773	-4
RTZ†	955	741	+1
Racal	3,700	248	-9
Rank Org.†	1,100	763	-22
Reckitt & Colman†	1,800	630	+8
Redland†	984	532	-1
Reed Intl.†	381	724	-7
Rentokil†	670	210	-3
Reuters†	397	1519	-8
Rolls Royce	14,000	152½	-11
Rothmans†	532	697	-19
Ryl Bk Scotland†	1,200	277	-8
Royal Insurance†	5,000	309	-2
Saatchi	538	164	
Sainsbury†	1,300	490	-8
Scottish & New.†	2,500	479	+1
Scot. Hydro-Elect.†	542	375	-1½
Scottish Power†	1,600	385	-3
Sears†	14,000	113	-1
Sedgwick	353	187	-1
Seeboard	620	586	-7
Severn Trent Water†	527	545	-8
Shell Transport†	3,100	668	-2

	Volume 000's	Closing Price	Day's change
Siebe†	663	514	-5
Slough Ests	757	228	-1
Smith (W.H.) A	377	483	-1
Smith & Nephew†	5,100	154½	+5½
SmKl Beecham†	11,000	457	+20
SmKl Beecham Uts.†	5,300	404	+16
Smiths Inds.	134	387	+5
Southern Elect.	271	551	-1
South Wales Elect.	8	603	-2
South West Water	333	574	
South West. Elect.	48	551	-6
Southern Water	278	578	-1
Standard Chartd.†	1,400	941	+3
Storehouse	3,400	223	-3
Sun Alliance†	3,100	367	-20
T&N	238	208½	
TI Group†	380	353	-7
TSB†	1,300	195	-3
Tarmac	5,800	157	+4
Tate & Lyle†	3,900	368	-7
Taylor Woodrow	1,000	123	+2
Tesco†	3,300	226	-4
Thames Water†	749	539	-4
Thorn EMI†	1,500	1002	+4
Tomkins†	1,200	239	
Trafalgar House	608	107	
Unigate	673	394	
Unilever†	1,500	1081	-1
United Biscuits†	2,600	330	+5
Utd. Newspapers	630	580	-4
Vodafone†	4,400	526	-21½
Warburg (SG)†	317	888	-2
Wellcome†	3,900	755	+26
Welsh Water	479	638	+2
Wessex Water	310	547	+1
Whitbread 'A'†	1,700	506	-6
Williams Hldgs.†	895	341	-6
Willis Corroon	2,400	239	+1
Wimpey	685	166	+2
Wolseley†	477	641	-3
Yorkshire Elect.	139	568	-3
Yorkshire Water	185	[illegible]	[illegible]
Zeneca†	8,700	760	+33

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Aug 16	Sep 6	Sep 20
Option Declarations:		
Sep 2	Sep 16	Sep 30
Last Dealings:		
Sep 3	Sep 17	Oct 1
Account Day:		
Sep 13	Sep 27	Oct 11

*New time dealings may take place from two business days earlier.

Drugs sector in demand

REPORTS from the US that the Clinton administration's healthcare reforms will not impose mandatory price increases on prescription drugs sent drug shares in London sharply forward in hefty turnover.

Speculation over the US healthcare issue has dogged pharmaceutical stocks on both sides of the Atlantic for several months now, and investors, taking their cue from yesterday's report, cast off their doubts and went on a buying spree. By the London close, Zeneca had surged 33 to 760p with 6.6m traded, Glaxo was up 22 at 636p on turnover of 13m, and Wellcome had climbed 26 to 755p with 4m traded. SmithKline Beecham added 20 at 457p.

However, healthcare analysts were somewhat cautious. Dr Jonathan Gelles at US broker Wertheim Schroder warned: "Investors are running away with the idea that no mandatory price increases will lead to higher profits for the industry. However, the fundamental problems of the industry remain and drugs companies will continue to incur below par operating profits for some years to come. We continue to be selective in our recommendations."

Other specialists said that despite the press reports, they believed that the Clinton reforms would include voluntary price restraints which would have much the same effect as mandatory ones.

Meanhwile, fears that President Clinton will turn to the tobacco and drinks industry in order to help fund his reforms knocked several related stocks in the London market. Among these, Allied Lyons tumbled 16 to 610p, Grand Metropolitan 10 to 445p, Rothmans 19 to 697p and Guinness 16 to 493p. Dealers said that Guinness was also affected by a French press report suggesting that the group was considering increasing its holding in LVMH, the luxury goods group, to 35 per cent. The two companies already have a 24.6 per cent cross-holding.

Ladbroke active

Results from Ladbroke, the leisure and hotels group, were well received despite being at the bottom end of market forecasts and the shares advanced 8 to 210p in huge turnover of 23m. One leisure specialist described the interims as a "fresh start" for the group, which saw senior management changes following the retirement of Mr Cyril Stein as chairman.

There were signs of such a change late yesterday as two previously negative houses were preparing to turn buyers of the stock. Analysts said the new management's willingness to re-consider the group's dividend payment – some in the market are forecasting a cut for the finals – was taken as a positive sign. And the need for fresh capital through disposals or a rights issue was also said to be on the management's agenda. Brokers' profit forecasts for the finals came down to a range of £140m-£155m.

The Texas DIY chain was the worst performer and dragged down most other DIY related stocks. Kingfisher, owner of B&Q, fell 8 to 666p. Do It All owners Boots and WH Smith lost 5 to 485p and a penny to 463p respectively. By contrast, MFI gained 3 to 146p in very busy trade of 12m as dealers reported a big buyer in the market.

A good performance from Ladbroke's hotel division helped Forte climb 8 to 244p.

Interim figures at the top end of expectations and an enhanced scrip dividend alternative triggered a flurry of buying in Burmah Castrol, which raced to an all-time high of 820p. They came off the top later in the session, to close a net 15 higher at 813p.

Regarding the enhanced scrip dividend alternative, one of the oil sector's leading analysts said "This is a clever and positive development and offers a solution to the company's unrelieved ACT problems. It enhances earnings per share."

Insurer disappoints

The worst individual performance from any of the FT-SE 100 stocks came from Sun Alliance, the composite insurance comcpany, whose shares fell 20, or 5.2 per cent, to 367p, having fallen to 361p at one point, after the group announced a disappointing net asset value figure for the half year along with interim results.

Sun Alliance shares approached their all time record high level, 398p reached in March 1991, last week, shrugging aside recent market rumours that the company's interims could be accompanied by a sizeable rights issue.

However, dealers said the slide in the share price was and not accompanied by any great volume of selling pressure. Turnover in Sun Alliance was 3.1m shares.

The company's profit figures were above most market expectations, but dealers expressed concern about the reduction in the group's solvency ratio, from 54 per cent to 50 per cent. The proposed £300m preference share issue, "removes the threat of a big cash call on shareholder," said one analyst.

Rolls-Royce hit

Aero-engines and industrial power group Rolls-Royce recorded one of the day's biggest falls in percentage terms after it surprised the market with a rights issue and reported figures just below market forecasts.

Interim profits came in at £31m against estimates around the £35m mark and were accompanied by an announcement of a one-for-four rights issue at 130p, to raise £307m.

Market watchers were unconvinced by the company's reasons for the cash call pointing out that it would dilute "the earnings recovery picture". One researcher said: "They have simply failed to explain the reasons for the rights issue now. It is opportunistic." Analysts were also alarmed by the continued R&D expenditure, leading some to suggest there may be problems with the Trent engine programme.

Dealers rushed to sell the shares which sent them tumbling 11 to 152½p in heavy trading of 14m as brokers moved to downgrade full year profit forecasts.

NatWest Securities weighed in with a sharp downgrade when it reduced its full year estimate by £17m to £73m, while Charterhouse Tilney moved from £85m to £68m.

London Scottish Bank, the financial services, consumer credit, debt collection and reinsurance group, attracted a wave of takeover speculation which drove the company's shares up to a record 105½p before aclosing level of 104p, for a net gain of 15. Turnover was a much higher than usual 296,000 shares. Provident Financial was one name put forward as a potential bidder for the group. Provident shares eased 4 to 448p.

There was a further fresh burst of significant buying interest in the life assurance sector where Refuge Group, which holds a 14.9 per cent stake in London Scottish, rose 13 to 1028p. Britannic added 8 at 478p while United Friendly extended its recent strong perofrmance to close another 30 higher at 688p.

Sun Alliance's poor performance affected other composites wqhere General Accident lost 16 to 657p, Commercial Union 10 to 593p and Guardian Royal 7 to 210p. Traders reported big two-way trading in Royal Insurance, 2 easier at 309p on big turnover of 5m.

Renewed switching operations, out of HSBC and into Standard Chartered, drove the former down 9¼ more to 717p and sustained the latter which edged up 3 to 941p.

Talk that Next will shortly be expanding into the US, albeit in only a small number of outlets, depressed the shares. They closed 6¼ off at 193p.

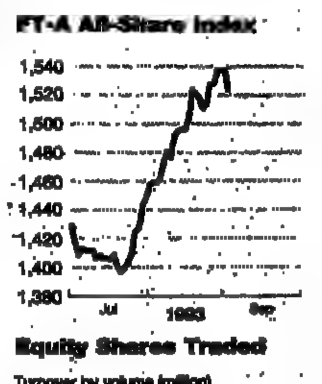
Report of a downgrade by a US broker on Xerox Corp in the US impacted on Rank Organisation, the shares slipping 22 to 763p. A deal between Chrysalis and Fujisankei in which the latter will buy a share in Chrysalis's fledgling record label for $17.5m sent the shares surging 37 to 116p.

Suggestions that next months figures from Lucas Industries will be accompanied by an enhanced scrip dividend alternative boosted the shares. They finished 4 ahead at 163p.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Steve Thompson.

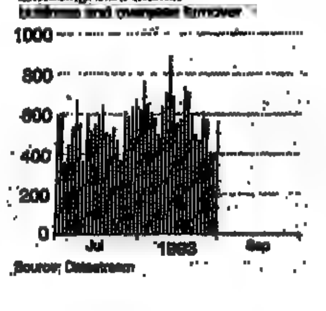
■ Other statistics, Page 21

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business and overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (140).
AMERICANS (1) Amerbach, BANKS (1) Deutsche, BREWERS (4) Bulmer, Fuller STA, Mansfield, Wetherspoon, BLDG MATLS (5) Caps, Manders, Pilkington, Do Wts., Titon, BUSINESS SERVS (1) Serco, CHEMS (3) Bayer, Croda, Schering, CONGLOMERATES (4) Brierley, Ropner, Do A, Sime Darby, CONTG & CONSTRCN (6) Ashtead, Ballwinch, Crest Nicholson, Hewden-Stuart, Sheriff, Vibroplant, ELECTRICALS (4) [illegible], Chloride, Johnson, Volex, ELECTRICITY (7) Eastern, Manweb, Northern, Northern Ireland, Seeboard, Southern, Yorks., ELECTRONICS (3) Forward Tech., Tunstall, Unitech, ENG AERO (1) Hunting 5¼pc Pf., [illegible] Cosworth, Meggitt, Senior, Vosper, Wilkes, FOOD MANUF (1) Devro, FOOD RETAILING (1) Ashley 5¼pc Pf., HEALTH & HSEHOLD (2) Reckitt & Colman 5¼pc Cv. '05, Zeneca, HOTELS & LEIS (2) Chrysalis, Forte, Manchester Utd., INSCE COMPOSITE (1) American Gen., INV TRUSTS (17) Abtrust Euro. Index, Berry Starquest, Contl. Assets, Exmoor Dual Inc., Finsbury, First Philippine Wts., French Prop., Grahams Rintoul, Greyfriars, Indonesia Equity, New City & Comm., Nth. Amer. Gas Wts., Pilot Wts., Portugal Fd. Pf., Singapore SESDAQ, Sth. America Fd., Welsh Indl., MEDIA (4) Black (AC), Hodder Headline, Mirror, Pearson, MERCHANT BANKS (3) Joseph (L), Schroders, Do N/V, MTL & MTL FORMING (1) GBE, MISC (7) Alumasc, Birkby, Dudley Jenkins, Headlam, Osborne & Little, Rhino, Sleeknight, MOTORS (3) Bleachley, Caverdale, Henlys, Lucas, Vardy (Reg), OIL & GAS (5) Bow Valley, Burmah, Crusader, Monument, Tullow, OTHER FINCL (6) Cater Allen, Gerrard & Natl., Gowett, Lon. Scottish, Rathbone Bros., Secure Tst., PACKG, PAPER & PRNTG (5) Capital Inds., Filofax, Low & Bonar, Serif, Waco, Waddington, PROP (6) Allied Lon., Asda Prop., Do 5¼pc Pf., Burford, Capital & Regional, Derwent Valley, Hambro Countrywide, St. Modwen, STORES (4) French Connection, Marks & Spencer, Rosebys, Tie Rack, TELE NETWORKS (1) Securicor, TEXTS (7) Claremont Garments, Coats Viyella, French (T), Lister, Magellan Inds., SEET, Sirdar, TRANSPORT (6) BAA, Brit. Airways, Forth Ports, IoM Steam, LOF's, Manchester Ship Canal, WATER (6) Mid Kent, Northumbrian, Severn Trent, South Staffs., South West, Southern, MINES (1) Gwalia Cons.

NEW LOWS (9).
BRITISH FUNDS (5) Treas. 8½pc '94, Exch. 12½pc '94, Exch. 13½pc '94, Treas. 14½pc '94, Treas. 12pc '95, CANADIANS (1) [illegible] Res., CHEMS (1) Cambridge Isotope, ELECTRONICS (1) Sage, TEXTS (1) Victoria Carpets.

FINANCIAL TIMES EQUITY INDICES

	Sep 2	Sep 1	Aug 31	Aug 27	Aug 26	Year ago	*High	*Low
Ordinary share	2401.4	2403.1	2414.2	2413.0	2393.5	1741.0	2414.2	2124.7
Ord. div. yield	3.84	3.84	3.82	3.82	3.86	5.11	4.52	3.82
Earning yld % full	4.53	4.53	4.51	4.51	4.55	7.43	6.36	4.51
P/E ratio net	[illegible]	28.19	28.30	28.29	28.04	17.02	28.30	[illegible]
P/E ratio nil	26.01	26.04	26.14	26.13	25.89	15.63	26.14	18.14
Gold Mines	189.8	193.7	194.6	188.3	193.5	75.6	249.2	60.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2402.8	2402.3	2404.9	2407.7	2410.7	2408.4	2407.0	2406.8	2401.8	2411.9	2400.8

Volume	Sep 2	Sep 1	Aug 31	Aug 27	Aug 26	Year ago
SEAQ Bargains	38,139	34,692	40,362	35,580	[illegible]	20,844
Equity Turnover(£m)†	-	1450.9	1055.1	1248.9	1421.3	978.5
Equity Bargains†	-	40,807	[illegible]	39,197	35,616	22,879
Shares traded (mil)†	-	584.7	410.5	514.4	580.4	462.6

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

EARLY strength in stock index futures that was underpinned by heavy demand for drug issues faded as dealers turned to focus on the weakening gilts sector, writes Joel Kibazo.

Having opened in line with the previous day's close at 3,093, the September contract on the FT-SE 100 moved steadily forward, with the market as a whole supported by the demand in the pharmaceuticals. The session's high of 3,102 was reached around 9.30am, after which the contract drifted gently lower. The downward direction gathered pace as the mood in UK bonds turned negative, as did that in short sterling.

Further weakness in the afternoon saw September ease to the day's low of 3,081 before steadying to finish at 3,086.

A significant amount of basket trading was reported, most of it early in the session, and for most of the time the contract traded in a range of 3,085 to 3,095. Volume at the close was 8,496 contracts in September and 1,641 lots in the December contract.

A large single deal in the Euro FT-SE 100 in the traded options, together with heavy dealings in Glaxo options, boosted total turnover to 38,684 lots, against a previons 21,661. Volume in the Euro FT-SE contract was 9,565 lots and that in the FT-SE 100 option 9,409. Among stock options, strong demand in the pharmaceuticals saw 6,260 contracts dealt in Glaxo.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3072.6 −12.5	3489.8 −5.9	1525.09 −5.00

	Sep 2	Day's change %	Sep 1	Aug 31	Aug 27	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	3072.6	[illegible]	3085.1	3100.0	3100.8	2381.9	3.74	5.61	22.11	68.57	1111.40
FT-SE Mid 250	3489.8	[illegible]	3495.7	3511.9	3513.3	2207.2	3.47	5.45	22.54	63.78	1250.76
FT-SE Mid 250 ex Inv Trusts	3505.9	−0.1	[illegible]	3525.3	3525.5	2213.8	[illegible]	5.62	21.30	65.03	[illegible]
FT-SE-A 350	1539.0	−0.4	1544.4	1551.8	1552.2	[illegible]	3.68	[illegible]	22.20	32.15	1140.25
FT-SE SmallCap	1779.77	—	1778.88	1783.67	1783.56	–	3.13	3.85	[illegible]	29.00	1335.80
FT-SE SmallCap ex Inv Trusts	1777.29	+0.1	1774.85	1778.06	1777.85	–	3.30	4.24	33.87	30.14	1335.00
FT-A ALL-SHARE	1525.09	−0.3	1530.09	1537.21	1537.57	1123.51	3.64	5.47	22.74	31.43	1150.15
1 CAPITAL GOODS(214)	1086.87	−0.4	1091.32	1098.82	1098.13	688.55	3.65	3.84	34.38	21.87	1276.75
2 Building Materials(28)	1165.00	+0.6	1158.48	[illegible]	[illegible]	686.77	3.91	3.22	44.09	21.58	1348.52
3 Contracting, Construction(29)	1038.98	[illegible]	1033.50	1041.30	1043.72	522.05	3.17	[illegible]	80.00†	14.39	[illegible]
4 Electricals(15)	3123.39	−0.1	3125.47	3135.68	3135.28	2044.56	4.33	3.44	38.28	74.00	1262.50
5 Electronics(38)	2937.23	−1.4	2977.84	3008.52	2994.09	1942.58	2.95	5.68	21.56	62.97	1286.06
6 Engineering-Aerospace(7)	445.25	−2.2	455.40	454.96	456.85	300.61	3.32	‡	‡	6.61	1537.37
7 Engineering-General(48)	621.32	−0.4	624.13	627.97	631.11	425.35	3.45	5.68	21.31	12.41	1244.48
8 Metals & Metal Forming(10)	458.50	[illegible]	461.05	457.56	467.36	272.25	[illegible]	‡	‡	6.45	1448.29
9 Motors(20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrials(19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP(233)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers(29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing(22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing(17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health & Household(30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Hotels and Leisure(18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 Media(33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging and Paper(24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores(39)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles(20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS(141)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Business Services(27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals(22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates(11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Transport(15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Electricity(16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Telephone Networks(4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Water(13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous(22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP(695)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas(18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 "500" SHARE INDEX(809)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP(93)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks(9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life)(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite)(7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers)(10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property(29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts(110)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 FT-A ALL-SHARE(850)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Time of FT-SE 100 high: [illegible] low: [illegible]

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Capital Goods	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Health & H/H	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Funding 6pc 1993‡‡	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Treas 13¼pc 1993‡‡	101⅛	[illegible]	[illegible]	101½	13.01	[illegible]
8½pc 1994	[illegible]	[illegible]	[illegible]	[illegible]	8.40	[illegible]
14½pc 1994‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 13½pc 1994	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 10pc Ln. 1994‡‡	[illegible]	[illegible]	[illegible]	[illegible]	9.67	[illegible]
Exch 12½pc 1994	[illegible]	[illegible]	[illegible]	[illegible]	11.72	[illegible]
Treas 9pc 1994‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12pc 1995	[illegible]	[illegible]	[illegible]	[illegible]	11.05	[illegible]
Exch 3pc Gas 90-95	[illegible]	[illegible]	97	94	3.10	[illegible]
10¼pc 1995	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 12¾pc 1995‡‡	[illegible]	[illegible]	[illegible]	[illegible]	11.18	[illegible]
14pc 1996	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15¼pc 1996‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 13¼pc 1996‡‡	[illegible]	[illegible]	[illegible]	[illegible]	11.34	[illegible]
Conversion 10pc 1996	[illegible]	[illegible]	[illegible]	[illegible]	9.00	[illegible]
Treas 13¼pc 1997‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 10½pc 1997	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8¾pc 1997‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 15pc 1997	[illegible]	[illegible]	[illegible]	[illegible]	11.61	[illegible]
9¾pc 1998	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 7¼pc 1998‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7¼pc 1998 B‡‡	[illegible]	[illegible]	[illegible]	[illegible]	7.20	[illegible]
Treas 6¾pc 1995-98‡‡	101	[illegible]	101¼	[illegible]	[illegible]	[illegible]
14pc '96-1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 12pc 1998	[illegible]	[illegible]	[illegible]	[illegible]	9.77	8.72
Treas 9½pc 1999‡‡	113¼	[illegible]	[illegible]	[illegible]	8.39	6.62
Exch 12¼pc 1999	[illegible]	[illegible]	125⅜	120⅝	9.80	6.78
Treas 10½pc 1999	118	[illegible]	[illegible]	[illegible]	8.90	6.85
Conversion 10¼pc 1999	[illegible]	[illegible]	[illegible]	[illegible]	8.99	6.87
9pc 2000‡‡	[illegible]	[illegible]	113	106	[illegible]	6.81
Treas 13pc 2000	132¼	[illegible]	[illegible]	125½	9.81	6.94
10pc 2001	[illegible]	[illegible]	[illegible]	[illegible]	8.49	6.90
7pc '01(£17¼ P/P)‡‡	21¼	[illegible]	21⅝	[illegible]	8.82	6.79
9¾pc 2002	[illegible]	[illegible]	[illegible]	[illegible]	8.24	6.96
8pc 2003‡‡	[illegible]	[illegible]	[illegible]	97⅜	7.41	6.84

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated						
Consols 4pc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
War Loan 3½pc‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Conv 3½pc '61 Aft.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 3pc '66 Aft.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Consols 2½pc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas. 2½pc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 high	1993 low	Yield (1)	Yield (2)
Index-Linked						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

OTHER FIXED INTEREST

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

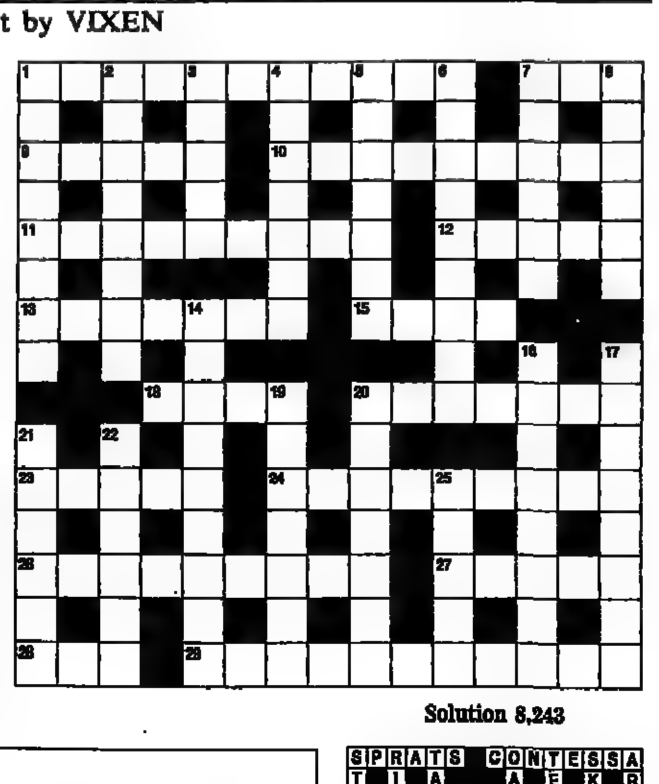
Continued on next page

CROSSWORD

No.8,244 Set by VIXEN

ACROSS
1 The objective eccentric isn't on a diet (11)
7 Fish to be paid for an arrival (3)
9 Note about-turn that is alarming (5)
10 Members of a crafty company – disagreeable fellows (9)
11 The spring blossom transported people! (9)
12 Warms up for preliminary races (5)
13 After a row got ahead and caused much irritation (7)
15 The Spanish article showing spirit (4)
18 Burn to do odd jobs? (4)
20 Appeal to the country to follow a trusted leader (7)
23 Wooden pale (5)
24 The average dandy has good intentions (5,4)
26 Negotiating a rise, vets appear very confident (9)
27 A measure in preparation (5)
28 The listening device some army units use (3)
29 A smart, sound, cunning old fortune-teller (11)

DOWN
1 Those fancying sprightly red mares (8)
2 Give voice about a carrier getting lost (8)
3 One trade setting a very high standard (5)
4 Nobody settled, that's acknowledged (7)
5 Opposite, poetically expressed (7)
6 A direction to make no threats (5-4)
7 Firm medico at a fight (6)
8 The girl in the rose-garden is enchanted by it (6)
14 See a female look amused when an operatic hero appears (9)
16 A place with lots to offer (4-4)
17 Sportsmen arranging 12 without 4 (8)
19 The balance stays put (7)
20 For the non-professional it's really dull in a French back-street (7)
21 The staff receiving a soft titbit (6)
22 The engraver's drink? (6)
25 Steady way to render assistance (5)



Solution 8,243

SPRATS CONTESSA
T I A A E K R
RESORT STANDING
I I T H O M U
KANGAROO DELPHI
E G R P D R
RASH SHORTENING
U O I L
TENDERLOVE FLAP
R L E I R A
AMAZON ANCESTRY
N P L G M E
SARDINIA DOTAGE
T E S N I
TALISMAN REGENT

JOTTER PAD

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17¾xd	–⅛	20⁷⁄₁₆	15⅝	14,384	2.7
Allegheny & W	♥	643p	+22	722p	399p	368.4	3.1
Amdahl		325p	+7	891p	302¼p	365.0	1.0
Amer Cyanamid		36	–⅝	38⅝	31¾	2,234	3.2
Amer Express		21¾xd	–⅛	25⅞	14⅞	10,467	3.1
Amer T & T		42xd	–⅛	43¼	33¼	58,598	2.1
AmerTech		55½	+⅛	55½	46	25,613	4.3
Anheuser-Busch		31¾	–⅞	41¼	30⅛	8,798	2.9
BankAmerica		31⅛xd	–⅛	33⅞	27½	11,043	3.0
Bankers NY		53⅛xd	–½	54⅝	42⅝	4,258	3.9
Bell Atlantic		42⅝	–⅞	42⅞	32¼	18,517	4.2
BellSouth		39¼	–⅞	39⅝	32⅞	19,636	4.7
Bethlehem Steel	♥	8⅞xd	–⅛	13¼	8⅞	668.9	–
Bowater		1300pxd	–4	1682p	1287p	[illegible]	3.0
CPC		30¼xd	+⅛	34⅝	25	4,581	2.9
California Engy		1188p	—	1479p	1086p	216.3	–
Chase Manhattan		23xd	+⅛	24½	17⅞	3,590	3.5
Chrysler		28⅝xd	–⅞	32⅛	21¼	8,382	1.4
Citicorp		21¾xd	–⅛	22⁷⁄₁₆	13⅛	7,950	–
Colgate-Palm		34¾xd	–⅞	45⅝	32	4,549	2.8
Cont'l Bank		1653p	–12	1677p	1278p	1,676	2.4
Dana		30⅛xd	–⅜	37⅞	29⅜	1,804	3.0
Data General		628p	+15	951p	527p	172.7	–
[illegible]							

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's	P/E
Anglian	♣N□	[illegible]	+1	[illegible]	455	1,568	5.0	10.6
Bristol Water	♣N	925	+5	945	775	65.1	4.2	11.3
Chesm A		[illegible]	—	[illegible]	195	[illegible]	3.5	14.2
B N/V		375	—	375	180	[illegible]	3.7	13.3
East Surrey		360	—	366	270	46.5	3.9	9.2
Mid Kent	N	350	+5	350	244	58.1	4.0	12.1
North West	N□	527	+3	537½	431½	1,665	5.1	9.4
Northumbrian	♣N□	661	—	664	547	438.8	4.3	6.7
Severn Trent	♣N□	548	−5	554	430	1,959	4.8	8.8
Southern	N□	578	−1	580	454	962.9	4.8	9.6
South Staffs	♣	1595	+10	1595	1225	86.6	3.7	11.3
South West	♣N□	574	—	579	465	718.2	5.2	9.4
Thames	♣N□	558	−4	562	464	2,102	4.8	10.6
Welsh	N□	636	+2	638	505	917.7	4.6	6.4
Wessex	N□	647	+1	*649	536	801.9	4.2	9.7
York W'works		309	—	315	210	19.9	3.7	13.8
Yorkshire	♣N□	540	−3	[illegible]	473½	1,[illegible]	4.8	9.3

SOUTH AFRICANS

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£12¼	—	£12¼	[illegible]	730.6	5.8	9.9
Barlow Rand		[illegible]	+[illegible]	£10⅝	[illegible]	1,185	5.8	3.3
Gold Flds Prop		81	−4	107	40	8.28	12.8	6.6
NK Props	h	60	—	97	66	2.73	19.3	2.8
OK Bazaars		99	—	110	70	88.3	2.0	—
SASOL	♥	[illegible]	−5	300	[illegible]	1,533	5.7	◆
SA Brews		867	[illegible]	875	[illegible]	2,425	3.1	14.7
Tiger Oats		588	—	750	538	883.3	2.7	[illegible]
Tongaat-Hulett		305	−2	305	[illegible]	229.0	4.8	8.9

PLANTATIONS

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Rubbers, Palm Oil							
Anglo-East	♣□	57	−1	59	[illegible]	18.2	3.0
Bertam	N	130	—	150	83	31.3	4.2
Cons Plants M$		47	—	55	42	331.5	7.9
Golden Hope M$		38	—	[illegible]	37	409.5	6.0
Highlands M$		28	—	30	24	84.6	10.6
Kuala Kepong M$		78	—	89	74	370.7	5.1
Rowe Evans	N	52	−1	63	41	23.9	4.0
Teas							
Williamson		590	+10	600½	325	19.6	5.0

MINES

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Central Rand							
Durban Deep		450	−15	760	120	16.5	—
East Rand Prp		208	−8	278	54	34.6	—
Randfont'n Est		521	−6	671	150	318.5	5.7
West Rand		58	—	65	45	2.46	—
Eastern Rand							
AFMIN	♥Z	1	—	1	[illegible]	0.24	10.0
Bracken	†	32	—	46	18	4.48	—
Eastern Trans		65	—	66	16	58.1	3.7
ERGO		125	—	201	47	57.4	9.4
Grootvlei		103	—	137	40	11.8	10.2
Kinross	†	883	+3	1080	332	[illegible]	5.7
Leslie	†	95	−3	137	25	15.2	[illegible]
Randex		14	—	20	4	[illegible]	—
Winkelhaak	†	842	−5	1029	325	162.6	1.2
Far West Rand							
Blyvoor		112	−4	133	33	26.9	5.5
Buffels		642	−26	871	233	70.6	10.2
Deelkraal		123	—	165	37½	122.4	[illegible]
Doornfontein		43	−3	59	7	17.2	—
Driefontein		671	−18	903	398	1,366	4.6
Elandsrand		341	+1	604	117	330.7	3.6
Hartebeest		277	−12	425	87	310.2	7.1
Kloof		808	−23	813	319	[illegible]	3.7
Southvaal		1709	−20	2168	24¾	444.3	3.4

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◊ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xℓ ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

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Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capital Life Assc. Co Ltd - Contd.				
Group Pension Funds				
Equity Acc	1183.3	1219.9	—	–
Fixed Interest Acc	940.5	969.6	—	–
Managed Acc	177.7	181.2	—	–
Alpha Funds				
UK Alpha		229.3	—	–
US Alpha		111.2	—	–
Gilt Alpha		90.0	—	–
Gold Alpha		97.0	—	–
Japan Alpha		48.4	—	–
US Dollar Alpha		73.3	—	–
Yen Alpha		77.5	—	–
D-Mark Alpha		80.3	—	–
European Alpha		92.9	—	–
Alpha Pension Funds				
UK Alpha		249.5	—	–
US Alpha		125.3	—	–
Gilt Alpha		91.1	—	–
Gold Alpha		98.0	—	–
Japan Alpha		48.5	—	–
US Dollar Alpha		76.8	—	–
Yen Alpha		84.2	—	–
DM Alpha		89.9	—	–
European Alpha		97.2	—	–
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ 0256 470707				
Gold Range (Pensions)				
Managed Fund		169.6	-0.7	–
Provident Mutual Life Assc. Assn.				
6 Folly Way Stevenage Herts SG1 2ST 0438 732000				
Managed Ord	443.5	466.8	-0.5	–
Managed Init	311.8	328.0	-0.2	–
Equity Ord	668.0	701.1	-0.3	–
Equity Init	467.8	492.4	-0.3	–
Index Linked Gilt Ord	203.2	213.9		–
Index Linked Gilt Init	149.1	156.9		–
Overseas Equity Ord	361.0	380.0	-0.7	–
Overseas Equity Init	253.6	266.9	-0.6	–
Property Ord	233.1	245.4		–
Property Init	163.7	172.3	—	–
Fixed Interest Ord	279.5	294.2	-0.1	–
Fixed Interest Init	196.3	206.6	-0.1	–
Deposit Ord	198.2	208.6	+0.1	–
Deposit Init	139.2	146.5	—	–
Pension Funds				
Managed Ord	594.2	625.5	-0.6	–
Managed Init	417.4	439.4	-0.4	–
Equity Ord	924.0	972.6	-0.6	–
Equity Init	649.0	683.2	-0.4	–
Pen Ind Lnd Gilt Ord	231.7	243.9		–
Pen Ind Lnd Gilt Init	170.0	178.9	—	–
Overseas Equity Ord	427.2	449.7	-1.1	–
Overseas Equity Init	300.1	315.9	-0.8	–
Property Ord	300.0	315.8	+0.1	–
Property Init	210.7	221.8		–
Fixed Interest Ord	364.5	383.7	-0.3	–
Fixed Interest Init	256.0	269.5	-0.2	–
Deposit Ord	290.9	306.2	—	–
Deposit Init	204.4	215.2	—	–
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Sep 1	322.4	339.9	—	–
Prudential Corporate Pension Funds				
55 King's Road, Reading RG1 3AH 0734 494652				
Prudential Managed Funds				
Discretionary Sep 1	£252.05	259.94	+3.58	–
Equity Sep 1	£290.90	293.86	+3.80	–
International Sep 1	£42.77	43.91	+0.66	–
Intl Bond Sep 1	£21.39	21.96	+0.21	–
Fixed Int Sep 1	£132.04	133.51	+1.33	–
Index Linked Sep 1	£95.71	96.83	+1.08	–
Property Sep 1	£113.32	119.89	+2.07	–

	Bid Price	Offer Price	+ or -	Yield Gross
Save & Prosper Group (z)				
16-22 Western Rd, Romford RM1 3LB 0708-766966				
A.G. Bond Fd	141.2	149.5	—	–
Bal Inv Fd	702.7	743.7	-2.0	–
Deposit Fd†	353.4	374.0	—	–
Directors' Portfolio	77.5	82.1	-0.4	–
Equity Pens Fd	178.1	188.5	-0.3	–
European Mngd Fd	61.8	65.2	-0.4	–
Gilt Fd	512.4	542.3	-1.8	–
Gilt Pens Fd	141.2	149.5	-0.5	–
Global Equity Fd	219.3	232.1	-1.4	–
Global Eq Pens Fd	208.4	220.6	-1.4	–
High Int Pens Fd†	129.1	136.7	—	–
Japanese Mngd Fd	75.0	79.4	-0.6	–
Managed Income Fd	50.6	53.6	-0.1	4.79
Man Pens Fd	180.4	191.0	-0.6	–
North American Mngd Fd	67.0	70.9	-0.6	–
Pacific Mngd Fd	69.9	74.0	-0.4	–
Property Fd*	89.4	94.7	—	–
Prop Pens Fd*	114.6	121.3	—	–
Thomas Unitised Managed	206.9	219.0	-1.0	–
UK Capital Portfolio	68.8	62.3	-0.4	–
UK Managed Gilt Fd	57.3	60.7	-0.1	–
†Weekly dealings. *Fortnightly dealings				
Scottish Amicable				
150 St Vincent St, Glasgow 041-248 2323				
Life Funds (First Series)				
Managed	437.0	460.0	+0.80	–
Equity	549.6	578.6	+1.40	–
Property	248.0	261.1	—	–
International	437.2	460.3	+0.80	–
Japanese	126.1	132.8	+0.30	–
Asia Pacific	152.1	160.2	+0.20	–
European	120.0	126.4	+0.90	–
American	156.1	164.4	-0.60	–
Fixed Interest	365.1	384.4	-0.90	–
Index-Linked Gilt	197.5	207.9	-0.50	–
Cash	222.0	233.7	—	–
Life Funds (Second Series)				
Managed	121.7	128.2	+0.20	–
Equity	118.3	124.6	+0.30	–
Property	104.3	109.8	—	–
International	135.3	142.5	+0.30	–
Japanese	128.5	135.3	+0.30	–
Asia Pacific	149.4	157.3	+0.20	–
European	119.2	125.5	+0.90	–
American	152.7	160.8	-0.70	–
Fixed Interest	137.4	144.7	-0.40	–
Index-Linked Gilt	126.4	133.1	-0.30	–
Cash	110.2	116.1	—	–
Pension Funds				
Building Society	175.2	184.5	—	–
Managed (Init)	283.5	298.9	+0.40	–
Managed (Acc)	508.8	535.6	+1.00	–
Equity (Init)	286.1	301.2	+0.80	–
Equity (Acc)	574.2	604.5	+1.70	–
Property (Init)	152.0	160.0	—	–
Property (Acc)	305.1	321.2	+0.05	–
International (Init)	256.8	270.4	+0.50	–
International (Acc)	515.3	542.5	+0.90	–
Fixed Interest (Init)	244.4	257.3	-0.90	–
Fixed Interest (Acc)	490.5	516.4	-1.80	–
Cash (Init)	153.6	161.7	—	–
Cash (Acc)	308.3	324.6	—	–
Others				
Capital Guarantee Bond	105.3	110.9	—	–
Scottish Equitable Life Assce. Soc.				
28 St Andrew Sq, Edinburgh 031-556 9101				
Mixed	241.7	254.4	-0.1	–
UK Equity	229.1	240.1	-0.6	–
International	244.5	257.3	—	–
American	243.4	256.2	+0.8	–
European	227.9	239.8	-0.8	–
Japan	257.1	270.6	+0.3	–
Pacific	342.4	360.4	-0.3	–
Technology	318.4	335.1		–

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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John Govett (Channel Islands) Ltd (1000)F

6 Mulcaster Place, Helier, Jersey 0534 38578

Global Stock Inv Ltd (Formerly Govett Flexifund)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Equity		–	–	–	–	–
Global High Income	6½	$11.14	11.74	11.16	–	10.5
Dollar Cash	3½	$8.94	8.94	8.97	+0.01	3.00
Japanese Smlr Cos	5	Y970	970	982	+2	0.00
Far East Equity	5½	$17.17	17.11	17.65	+0.17	1.08
US Smaller Cos	5½	$17.60	17.60	18.00	+0.05	0.75
European Equity	5½	DM13.44	13.44	13.68	-0.16	2.00
UK High Income	5	£5.59	5.59	5.92	–	6.70

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark rampant in Europe

THE D-MARK performed powerfully against most currencies yesterday, pushing the dollar down to new lows and pushing currencies in Europe's exchange rate mechanism to new levels of divergence, *writes James Blitz.*

In recent days, the D-Mark has moved up across the board, partly because of a perception that central banks need to buy the currency to help balance their reserves after the Bundesbank's ERM intervention last month.

New worries about the strength of the US economy have also forced the dollar down below the 1992 peak for the dollar/D-Mark exchange rate.

When European trading opened yesterday, the D-Mark was already performing strongly against the Japanese yen, starting an assault on the currency that was to take it from Y63.64 to Y64.24 at the close.

Belgium's decision to raise its short term interest rates by a full percentage point later triggered a new attack on European currencies.

Several dealers said that Belgium's tight monetary policy in support of its currency was literally incredible, coming on a day when it reported a rise in unemployment from 13.5 per cent in July to 14.1 per cent in August.

The Belgian franc dropped from a close on Wednesday night of BFr21.49 against the D-Mark to a low of BFr21.55. It later closed at BFr21.49. The Belgian authorities intervened to support the currency, saying they had spent BFr3bn. One London dealer said his own dealing room has seen three times that much.

Mr Mark Austin, currency strategist at Midland Global Markets, said that Belgium's attempts to peg the Belgian franc to the D-Mark were folly and could exacerbate the downward pressure on the currency in the near-term. "Belgium could be doing a Sweden," he said, recalling the large devaluation of the Swedish krona last year after the country pushed short term rates up to very high levels.

Yesterday's events triggered a sharp depreciation in most European currencies against the D-Mark. The French franc dropped from FFr3.507 to the D-Mark to a close of FFr3.522. The Danish krone dropped from DKr4.11 to DKr4.14. Sterling dropped from DM2.5025 to DM2.4750.

The dollar also came under strong pressure against the D-Mark, undermined again by more poor US data. Factory goods orders for July fell 2.1 per cent, worse than the market's already pessimistic forecast of a 1.7 per cent drop.

The dollar closed at DM1.6490 from a previous DM1.6595. Dealers continued to focus on today's non-farm payroll figure as the most important indicator of where the US currency is going in the short-term. Expectations are for a rise of 144,000 in the headline figure for August, but some analysts wondered last night whether recent data hinted at a lower figure.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 2	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.19672	2.14433	-2.39	8.70	-
D-Mark	1.94964	1.90808	-2.13	8.42	-
Spanish Peseta	154.250	155.533	0.83	5.23	-8
Portuguese Escudo	192.854	195.408	1.84	4.19	-12
Irish Punt	0.808628	0.823819	1.88	4.15	-13
Belgian Franc	40.2123	41.0223	2.01	4.01	-15
French Franc	6.53883	6.71264	2.66	3.35	-22
Danish Krone	7.43679	7.89006	6.11	0.00	-40

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (Indicative values only. Divergence indicators are based on 15% band limitations but do not allow the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4925 - 1.5070	1.5005 - 1.5015	0.37-0.35cpm	2.88	1.02-0.99pm	2.68
Canada	1.9815 - 1.9985	1.9900 - 1.9910	0.35-0.17cpm	1.30	0.57-0.41pm	0.98
Netherlands	2.7735 - 2.8045	2.7750 - 2.7850	¼-¼cdis	-0.81	¼-½dis	-0.54

OTHER CURRENCIES

Sep 2	£	$
Argentina	1.4985 - 1.5000	1.0005 - 1.0015
Australia	2.2455 - 2.2475	1.4955 - 1.5000
Brazil	147.835 - 147.845	98.6870 - 98.6880
Finland	8.8390 - 8.9190	5.9200 - 5.9400
Greece	348.850 - 353.900	230.650 - 235.350
Hong Kong	11.6010 - 11.8135	7.7495 - 7.7500
Iran	2305.00 - 2315.00	1582.00 - 1584.00
Korea(Sth)	1204.35 - 1223.80	805.10 - 811.50
Kuwait	0.45100 - 0.45200	0.30040 - 0.30080
Luxembourg	53.15 - 53.25	35.40 - 35.50
Malaysia	3.8180 - 3.8250	2.5480 - 2.5490
Mexico	4.6590 - 4.6630	3.1100 - 3.1120
N.Zealand	2.7205 - 2.7245	1.8125 - 1.8150
Saudi Ar	5.6120 - 5.6230	3.7495 - 3.7505
Singapore	2.4035 - 2.4095	1.6055 - 1.6065
S.Af (Cm)	5.0520 - 5.0630	3.3600 - 3.3815
S.Af (Fn)	7.1045 - 7.1190	4.7425 - 4.7525
Taiwan	40.30 - 40.45	26.90 - 27.00
U.A.E.	5.4975 - 5.5125	3.6715 - 3.6735

EXCHANGE CROSS RATES

Sep 2	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.501	2.475	159.0	8.718	2.180	2.780	2398.	1.991	53.20	202.7	1.309
$	0.666	1	1.649	105.9	5.808	1.452	1.852	1598	1.326	35.44	135.0	0.872
DM	0.404	0.606	1	64.24	3.522	0.881	1.123	968.9	0.804	21.48	81.90	0.529
YEN	6.289	9.440	15.57	1000.	54.83	13.71	17.48	15082	12.52	334.6	1275	8.233
F Fr.	1.147	1.722	2.839	182.4	10.	2.501	3.189	2751	2.284	61.02	232.5	1.501
S Fr.	0.459	0.689	1.135	72.94	3.999	1	1.275	1100	0.913	24.40	92.98	0.600
N Fl.	0.360	0.540	0.890	57.19	3.136	0.784	1	862.6	0.716	19.14	72.91	0.471
Lira	0.417	0.626	1.032	66.31	3.636	0.909	1.159	1000.	0.830	22.19	84.53	0.546
C $	0.502	0.754	1.243	79.86	4.379	1.095	1.396	1204	1	26.72	101.8	0.657
B Fr.	1.880	2.821	4.652	298.9	16.39	4.098	5.226	4508	3.742	100.	381.0	2.461
Pta	0.493	0.741	1.221	78.44	4.301	1.075	1.371	1183	0.982	26.25	100.	0.646
Ecu	0.764	1.147	1.891	121.5	6.660	1.665	2.124	1832	1.521	40.64	154.9	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FT-SE 100 INDEX *

£25 per full index point

	Close	High	Low	Prev.
Sep	3088.0	3102.0	3061.0	3095.0
Dec	3109.5	3123.0	3108.0	3118.5
Mar	3122.0			3132.0

Estimated volume 10700 (12138)
Previous day's open int. 56737 (56822)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5010	1.4974	1.4909	1.4835	1.4706

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls October	Calls December	Calls March	Puts October	Puts December	Puts March
120	-	3.32	-	-	0.19	-
121	-	2.49	-	0.05	0.34	-
122	-	1.76	-	0.16	0.60	-
123	0.68	1.19	-	3.47	1.00	-
124	0.27	0.72	-	-	-	-
Open int	46,662	157,917	25,740	21,886	142,501	17,578

Estimated volume 57,238 † Total Open Interest 412,576
† All Yield & Open Interest figures are for the previous day.

MONEY MARKETS

Belgian futures crash

BELGIAN interest rate futures contracts crashed yesterday after the country's central bank surprised dealers by raising all of its major short term interest rates to defend its currency, *writes James Blitz.*

The Belgian authorities yesterday raised their emergency rate from 13 per cent to 14 per cent and their discount rate from 6 per cent to 7 per cent.

Although dealers had anticipated a slow policy of rate cutting, few had expected an immediate rise in the country's interest rates.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

The impact was felt sharply in the September Belgian franc contract which dropped 156 basis points to close at 87.80 per cent as dealers revised their expectations.

The December contract was down 80 basis points to close at 91.70. However, overnight rates in the cash market responded more modestly, peaking at 15 per cent.

The Belgian interest rate futures market is small, but yesterday's events rebounded on France, where dealers wondered whether the authorities would also adopt a very tight policy on rates.

The Bank of France left its intervention rate unchanged at its regular Thursday intervention. But, with the franc coming under pressure against the D-Mark on currency markets, dealers wondered whether the authorities had missed the chance to ease policy. The September contract was down 10 basis points at 92.74.

In the sterling cash market, there was deep dismay among some dealers about the volatility in the overnight rate in recent days.

Yesterday, a shortage of £1.95bn was mostly removed in the early round of trading, with banks selling a repo worth £1.7bn. The overnight rate therefore tumbled from 7 per cent to 2 per cent in the morning. Three month cash eased to 5⅞ per cent.

This was an extraordinary contrast with Wednesday's events, where most of a £1.7bn shortage was not removed and the overnight touched 8 per cent.

Two bank dealers regarded this as one of the most stark example yet of how sterling cash markets are dominated by one or two clearing banks for the purposes of their own liquidity management. "All the discount houses together could not remove a shortage like today's" said one discount house dealer. "It makes a mockery of London as a financial centre."

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep 2)	3 months US dollars		6 months US Dollars	
	bid 3⅛	offer 3¼	bid 3¼	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	3.01	Three year	4.15
Broker loan rate	5	Two month	3.10	Five year	4.76
Fed.funds	3⅛	Three month	3.05	Seven year	5.01
Fed.funds at intervention	-	Six month	3.18	10-year	5.41
		One year	3.33	30-year	6.06
		Two year	3.63		

Sep 2	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.80-6.90	6.75-6.85	6.60-6.75	6.45-6.55	6.30-6.40	7.75
Paris	7⅛-7⅜	7.55-7.85	-	7.25-7.55	-	6.75
Zurich	5-5¼	4⅞-4⅞	-	4⅝-4¾	-	-
Amsterdam	-	-	-	-	-	-
Tokyo	2⅞-3⅛	-	-	-	-	-
Milan	9½-9⅝	9⅞-9½	-	9¼-9⅞	-	-
Brussels	-	13½-14	-	11⅞-12⅞	-	-
Dublin	6⅝-6¾	6⅝-6¾	6½-6⅝	6⅛-6⅝	6¾-6½	-

LONDON MONEY RATES

Sep 2	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	6⅞	6¼	6	5⅞	5⅞	5⅞
Interbank Bid	2	5⅞	5⅞	5¾	5⅞	5⅞
Sterling CDs.	-	-	5⅞	5⅞	5⅞	5⅞
Local Authority Deps.	5¾	5⅞	5⅞	5⅞	5⅞	5¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	7	5⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	5⅞	5⅞	5⅞	5⅞
Treasury Bills (Buy)	-	-	5⅞	5⅞	5⅞	-
Bank Bills (Buy)	-	-	5⅞	5⅞	5⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs.	-	-	2.98	3.09	3.11	3.31
SDR Linked Dep. Offer	-	-	4⅞	4⅛	4⅞	4⅛
SDR Linked Dep. Bid	-	-	4⅞	4⅛	4⅞	4
ECU Linked Dep. Offer	-	-	8⅛	7¼	7⅞	6⅝
ECU Linked Dep. Bid	-	-	7⅝	7½	6⅞	6⅝

Treasury Bills (sell): one-month 5⅞ per cent; three months 5⅛ per cent, six months 5⅛ per cent; Bank Bills (sell): one-month 5⅞ per cent; three months 5⅞ per cent; Treasury Bills: Average tender rate of discount 5.0940 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 31, 1993. Agreed rates for period Sep 26, 1993 to Oct 25, , 1993 Schemes II & III: 7.15 p.c. Reference rate for period July 31, 1993 to Aug 31 , 1993, Scheme IV&V: 5.896 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6pc from September 1 , 1993: Bank Deposit Rate for sums at 7 days notice 5⅛ p.c. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 2¼ p.c., one-three months 5¼ p.c.; three-six months 5 p.c.; six-nine months 4¾ p.c.; nine-twelve months 4½ p.c.; Under £100,000 2¾ p.c. from Jan.27, 1993, Deposits withdrawn for cash 1¼p.c.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	*Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	*(in administration)	
Banco Bilbao Vizcaya	6	Girobank	6	Royal Bk of Scotland	6
Bank of Cyprus	6	●Guinness Mahon	6	●Smith & Williamson Secs	6
Bank of Ireland	6	Habib Bank AG Zurich	6	Standard Chartered	6
Bank of India	6	●Hambros Bank	6	TSB	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

AUSTRIA

FRANCE

GERMANY (continued)

NETHERLANDS (continued)

SWEDEN (continued)

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

ITALY

SPAIN

SWITZERLAND

NORWAY

SOUTH AFRICA

JAPAN

AUSTRALIA (continued)

HONG KONG

MALAYSIA

SINGAPORE

CANADA

TORONTO

4 pm close September 2

Quotations in cents unless marked $

MONTREAL

4 pm close September 2

† - No voting rights or restricted voting rights

INDICES

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

WORLD						
M.S. Capital Intl.(1/1/70) §	601.4*	602.0	603.5	601.5	603.60 (31/8)	486.60 (13/1)
Euro Top-100 (26/6/90)	1119.85	1119.90	1132.03	1133.15	1133.15 (30/8)	882.73 (13/1)

**Saturday August 28: Taiwan Weighted Price; 3827.75. Korea Comp Ex; 888.82.
♥ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500. (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Thursday, September 2, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Marubeni	10.1m	535	+7	Toyota Motor	5.8m	1,580	-10
Itochu Corp	8.1m	548	+4	Daiei	4.8m	1,340	+110
Fujitsu	7.3m	844	-5	Oki Elec	4.8m	560	-9
Nikkatsu	7.2m	30		Nichirei Corp	4.2m	857	+15
Hitachi	7.0m	868	+10	Matsushita E Ind	4.0m	1,480	+50

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close September 2

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14⅝	11½	AMR Corp	0.48	3.7	650	286	13¼	13	13	-⅜
23⅜	13¾	A L Labs A	0.18	1.0	37	225	19⅛	18½	18½	+⅛
65⅞	54⅜	AMP Inc	1.60	2.4	23	971	u65⅞	65⅜	65⅝	
72¾	55½	AMR			17	2744	67½	65½	65⅝	-1⅛
3⅜	1¾	APX			11	324	3⅛	3	3	-⅛
51½	29⅞	ASA	2.00	4.7	38	747	43⅞	42½	42¾	-1¼
30¼	22⅝	Abbott Lab	0.68	2.5	17	13841	27⅛	26⅝	26⅞	+⅞
12⅝	9½	Abitibi Pr	0.50	5.3	4	7	9½	d9½	9½	
15¾	8¼	[illegible]			44	169	14¼	14⅛	14⅛	-⅛
38	25½	ACE Ltd	0.63	1.8		936	35	34⅝	34¾	-⅛
12	10¾	ACM Gvt In	0.96	8.4		161	11⅜	11¼	11⅜	+⅛
10	9⅛	ACM GvOpp	0.80	8.2		131	9⅞	9⅝	9¾	
9⅞	8¾	ACM Gvt Sp x	0.80	8.3		278	9⅝	8½	9⅝	+⅛
11⅝	10½	ACM Gvt Se	0.96	8.6		344	11¼	11⅛	11⅛	
11⅝	9⅝	ACM Man	1.08	9.6		220	11⅜	11¼	11¼	-⅛
9⅜	8⅝	ACM Managd	0.72	7.9		182	u9⅜	9⅛	9⅛	-⅛
12⅜	7¾	Acme Cleve	0.44	4.9	12	546	9⅜	9	9	-⅜
9¼	6½	Acme Elect			49	48	7¼	7	7	
28¾	18⅜	Acordia	0.44	1.6	15	36	u27	26⅞	27	+¼
16	10⅜	Acuson			32	379	11⅞	11⅝	11⅞	+¼
21¾	19	Adams Expr	0.48	2.4	1	121	19⅞	19¾	19⅞	+¼
66¼	45½	Ad Micro	3.00	4.8		75	64⅝	63	63	-2⅜
32¾	17⅝	Ad Micro P	3.00	9.7	12	7678	31½	30⅝	31	-⅝
7¾	5½	Advest Grp	0.16	2.2	12	198	7¼	7⅛	7⅛	
24¾	16⅛	Advo Inc	0.08	0.5	18	540	17	16⅝	17	+¼
49¾	41⅛	Aegon ADR	1.23	2.5	9	67	49⅛	48⅝	49	-⅛
60½	43⅜	Aetna Lf	2.76	4.6	41	1118	59¾	59¼	59⅜	-¼
14½	11½	Afth A	0.28	1.9	29	1193	14	13⅞	14	
34	26½	Aflac	0.40	1.2	16	1587	33⅛	32⅝	32⅞	-⅛
22⅛	16¾	Ahmanson	0.88	4.4	6	1637	20	19¾	20	
7⅜	4	Aileen Inc			5	96	4¼	4⅛	4⅛	-⅛
49½	24⅞	Air Pr Chm	0.92	2.2	16	1443	42¾	42⅜	42⅜	
26½	18⅛	Airbor Frt	0.30	1.3	30	659	23½	22⅞	22⅞	-⅝
37½	18¼	Airgas Inc			40	101	36⅜	35	36¼	-⅛
[illegible]										
29⅞	24⅜	Bay St Gas	1.42	5.0	15	238	28⅜	28⅛	28⅛	-⅛
25	22	Bd Tr 1838	1.72	7.2		2	23¾	23¾	23¾	
24⅛	15	Bear Strns	0.60	2.5	8	2892	u24⅜	24	24	-⅛
50¼	45½	BearStPfA	2.75	5.5		11	u50¼	50	50¼	
24¾	20½	Bearings	0.64	2.7	19	108	23¾	23½	23¾	+⅜
25½	19¾	Beckman In	0.36	1.6	13	545	22⅝	22¼	22⅝	+¼

[illegible]

Continued on next page

4 pm close September 2

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
22	15½	S Anita Rt	1.38	7.8	15	156	17½	17¼	17⅜	-⅛
20⅜	14⅞	SCOR US Cp	0.32	2.1	190	275	15⅝	15⅛	15¼	-½
29¾	20	SPS Techno	1.28	4.5	20	20	28¼	28	28¼	
14⅞	12⅞	Sabine Rlt	1.80	12.2	10	150	14¾	14⅝	14¾	
13¾	8⅞	Safecard	0.20	1.6	12	78	13	12¾	12⅞	-⅛
28½	16⅞	Safeg'd Sc			10	46	21⅞	21½	21⅝	-⅛
24¾	14⅞	SafetyKln	0.36	2.3	24	2446	16	15⅝	15¾	-¼
18⅛	10⅞	Safeway			28	891	18½	18¼	18¼	-⅛
4¼	2	SafewayWBS				652	4	4	4	-¼
55	37½	StJoePaper	0.20	0.4	155	401	52⅞	51⅝	52¾	+⅞
37⅞	31	StJosL&P	1.76	4.7	15	73	37½	37¼	37⅜	
94	75	St Paul's	2.80	3.0	15	519	93⅝	92	92⅛	-1¼
11⅞	7⅞	Salant Crp			4	44	8¾	8½	8¾	
75¼	39⅞	Sallie Mae	1.20	2.6	10	6532	47¼	46	46⅛	-⅛
14¼	13	Salomon Br	0.32	2.3		320	14⅛	13⅞	13⅞	-⅛
51⅞	34	SalomonInc	0.64	1.2	12	1880	51⅝	51	51¼	-⅜
27⅝	23¼	SanDgo G&E	1.48	5.4	15	1208	u27¾	27½	27⅝	+⅛
4⅝	3½	SantaFeEDu	0.40	10.7	37	30	3⅞	3¾	3¾	-⅛
11⅞	9⅛	SantaFeERs	0.16	1.65	12	2037	10¼	10	10¼	+¼
40¾	35¼	SantaFePac	2.80	7.2	13	65	38¾	38½	38⅝	+¼
19	12¾	SantaFPac	0.10	0.5	12	1536	18⅞	18¼	18⅜	-¼

- T -

- U -

- V -

- W -

- X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close September 2

NASDAQ NATIONAL MARKET

4 pm close September 2

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1 ... [illegible]

AMERICA

Healthcare issues rise as Dow declines again

Wall Street

IN SPITE of heavy demand for health-related issues, US share prices weakened in subdued trading yesterday morning as more investors deserted the equity markets ahead of the long holiday weekend, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 16.48 at 3,628.62. The more broadly based Standard & Poor's 500 was 1.96 lower at 461.19, while the Amex composite was up 1.35 at 460.32, and the Nasdaq composite up 1.67 at 747.82. Trading volume on the NYSE was 161m shares by 1 pm.

The markets again struggled to find a clear direction yesterday morning, in spite of another big gain in bond prices. Normally, rising bond prices (which sent long yields down to new record lows) would provide sustenance for stocks; but so many market participants were on holiday ahead of the Labor Day weekend that the bond rally had little impact.

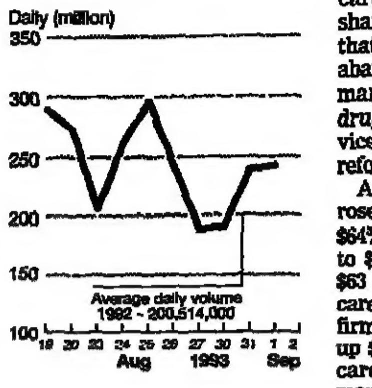
Economic news also left traders and investors unmoved: jobless claims fell 7,000 in the final full week of August, while factory orders fell by a larger than expected 2.1 per cent in July. Little attention was paid to the data, the market speculating instead on what might be revealed in today's August employment report. Wall Street economists are forecasting that non-farm payrolls rose by about 150,000 last month, and some investors were reluctant to trade yesterday in case the jobs figures come in weaker than expected.

The brightest spot in the markets were drug and health care stocks, which jumped sharply on a newspaper report that President Bill Clinton had abandoned his plan to impose mandatory price controls on drug companies and health service providers as part of his reform of health care.

Among leading issues, Merck rose $1¼ to $32¾, Pfizer $2 to $64¾, Bristol Myers-Squibb $⅞ to $57, Schering-Plough $2½ to $63 and Glaxo $⅜ to $19. Health care stocks were also notably firmer, with United HealthCare up $3¾ at $62⅞ and US Healthcare, traded on the Nasdaq market, up $3 at $47¼.

The gains in drug stocks were offset by declines in cyclicals. Aluminum Company of America fell $⅛ to $74⅝, Minnesota Mining & Manufacturing slipped $½ to $108¼, Caterpillar gave up $⅝ at $81⅝ and International Paper eased $⅛ to $63⅝.

NYSE volume



Brazilian stocks climbed by 6.1 per cent in heavy midday trade after Wednesday's 6.4 per cent advance, the Bovespa index putting on 626 at 10,887 on the proposition that the country's biggest political party, the PMDB, would continue to support President Itamar Franco.

Canada

AFTER closing at a record high on Wednesday, equities eased slightly on profit-taking by midday with the TSE-300 composite index off 13.36 at 4,130.38. Volume was 31m shares.

Among active stocks, Royal Bank of Canada was down C$⅜ at C$27⅞ and Placer Dome down C$⅛ at C$27⅞.

EUROPE

Drug stocks provide measure of support

EUROPEAN pharmaceutical stocks were given a boost by reports from the US that price controls on drug products were to be postponed, *writes Our Markets Staff.*

FRANKFURT recovered slightly after an early tumble on the weaker US dollar. It got some lift from Volkswagen, and the big three chemical stocks as the DAX index rose 7.04 to 1,925.62. Turnover eased from DM8.5bn to DM7.9bn.

VW denied rumours that its management board chairman, Mr Ferdinand Piech, and its embattled production chief, Mr Ignacio Lopez, would be replaced at today's supervisory board meeting. However, the shares rose DM11.90 to DM379.50 and held on to their gains in the post bourse.

BASF, Bayer and Hoechst rose by DM3.10 to DM258, DM7.40 to DM307 and DM3.40 to DM278.50 respectively, turnover in Bayer rising from DM305m to DM489m in the process. Mr Charles Brown at Goldman Sachs said that the sector had been soft earlier in the week, but that the shares were cheaper than those of, say, ICI in the UK. He added that Bayer had started on its cost production programme earlier than BASF or Hoechst, its earnings are less volatile, and it is on a 1993 p/e of only 14 compared with 33 for ICI.

PARIS continued to drift lower, the CAC-40 index closing down 6.81 at 2,185.

Elf Aquitaine remained on investors' minds, the shares down another FFr7.70 at FFr428.00. Since the oil group's interims were released on Tuesday the shares have fallen by 4.6 per cent.

James Capel in London has downgraded the stock to hold, although the broker notes that, excluding the one-off write down in its North Sea oil and gas reserves, "the operating results were broadly in line with expectations...and the share price is now reflecting expectations of earnings recovery in 1994 and 1995".

Reports that the US would postpone a decision to impose price controls on pharmaceutical stocks lifted Elf Sanofi, which went against the market trend with a rise of FFr18 to FFr1,014.

Rhône-Poulenc fell back FFr3.50 to FFr158 on slightly disappointing results, while Axa went the other way, up FFr20 to FFr1,630 after a jump in first half turnover.

AMSTERDAM saw a sharp fall in VNU, the publishing group, on disappointment over interim figures, the shares losing Fl 5.90 or 4 per cent to Fl 135.50. The CBS Tendency index closed down 0.6 at 129.5.

The fall in VNU hit the publishing sector, with Elsevier declining Fl 1.70 to Fl 145.10 and Wolters Kluwer down Fl 1.00 at Fl 102.10.

ING was one of the few stocks to show a rise on the day after satisfactory interims, the shares ending 70 cents higher at Fl 73.80. Meanwhile, Heineken dropped Fl 2.00 to Fl 185.60 in reaction to its half year figures.

ZURICH's chemicals gained on a Washington Post report that President Bill Clinton had dropped the idea of imposing short-term price controls in the US health industry. Roche certificates were the most active stock as they rose SFr40 to SFr5,115, and Sandoz certificates added SFr40 to SFr3,270.

However, there was profit-taking in banks where SBC bearers fell SFr13 to SFr473 after good results. Overall, the SMI index lost 6.6 at 2,463.8.

MADRID's fears of an accelerating downtrend after Wednesday's 2.6 per cent fall turned out to be groundless as the general index closed 1.22 higher at 296.31, reflecting cuts in Spanish bond yields.

Volume eased to an estimated Pta27.5bn, from Pta32bn.

STOCKHOLM was driven higher by the performance of Astra, which gained in line with other European pharmaceutical stocks. It rose SKr14 to SKr172 as the sector sub-index advanced nearly 6 per cent.

The Affärsvärlden general index put on 11.80 to 1,273.90 in turnover of SKr2bn.

HELSINKI fell sharply, the Hex index losing 40.61 or almost 3 per cent at 1,375.37, as a weaker currency and worries over impending wage talks weighed on sentiment – there are suggestions that employees may demand wage increases, after two years of pay freezes. The banking and financial sub-index dropped by 5 per cent.

MILAN saw activity in a few major issues, although the overall tone of the market was quiet. The Comit index closed down 4.79 at 620.88.

Rumours of possible stake building in Ferruzzi helped to lift the shares L27.50 to to L307.50, while strong buying was noted in Olivetti, up L111 at L1,966 and Pirelli, up L96 at L1,966. **WARSAW** rebounded from a two-day slump, the WIG index climbing by 585.9 or 9.3 per cent to 6,893.8 as 18 out of 19 stocks rose by their 10 per cent daily limits in turnover of 728bn zlotys.

FT-SE Actuaries Share Indices								
September 2								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1298.90	1298.87	1299.59	1299.50	1299.81	1299.67	1302.83	1302.75
FT-SE Eurotrack 200	1380.29	1383.76	1383.86	1382.92	1386.46	1382.95	1385.40	1385.48
	Sep 1	Aug 31	Aug 27	Aug 26	Aug 25			
FT-SE Eurotrack 100	1305.63	1319.96	1308.15	1298.46	1310.93			
FT-SE Eurotrack 200	1385.51	1396.45	1397.66	1384.05	1385.62			

Base value 1000 (26/10/90) High/day: 100 - 1300.50; 200 - 1386.65 Low/day: 100 - 1297.72 200 - 1379.81.

ASIA PACIFIC

Fresh strong gains seen in the Pacific Rim

Tokyo

SHARE prices closed marginally higher after fluctuating in a narrow range on arbitrage buying and profit-taking by institutional investors, *writes Emiko Terazono in Tokyo.*

The Nikkei average gained 29.90 at 20,983.20 after a day's high of 21,045.90 and low of 20,921.29. Foreign investors, individuals and dealers supported the index against profit-taking by investment trusts and life insurers.

Volume was 350m shares, against 365m, remaining above 300m shares for the third consecutive day. Advances led declines by 540 to 470, with 173 issues unchanged. The Topix index of all first section stocks closed 4.57 up at 1,693.09, a new high for this year. In London the ISE/Nikkei 50 index was 1.56 firmer at 1,298.22.

Hopes of an imminent cut in the official discount rate continued to support sentiment, in spite of comments by Mr Yasushi Mieno, the governor of the Bank of Japan, ruling out an early rate reduction. Many investors expect the Bank of Japan to ease monetary policy next week, when the tankan, its quarterly report on business sentiment, is due to be released.

Retail shares gained ground on reports that Mr Isao Nakauchi, chairman of the supermarket chain Daiei, had presented Mr Morihiro Hosokawa, the prime minister, with a report on the deregulation of the retail sector. Daiei rose Y110 to Y1,340, while Ito-Yokado gained Y210 at Y5,040 and Seiyu Y50 at Y1,470.

The fall in the yen supported some consumer electronics makers. Matsushita Electric Industrial moved ahead Y50 to Y1,480, TDK Y80 to Y3,990 and Victor Y30 to Y1,050.

Yamaichi Securities lost Y10 to Y843 on rumours of undisclosed tobashi deals, where brokers shift clients' accounts to hide unrealised profits. Nomura Securities shed Y30 to Y2,170 but Daiwa Securities rose Y10 to Y1,480.

In Osaka, the OSE average added 79.91 at 22,959.99 in volume of 80.3m shares.

Roundup

ANOTHER clutch of record highs enlivened trading in the region yesterday. Pakistan was closed due to a strike at the exchange.

MANILA reached another all-time peak, led again by strength in Philippine Long Distance Telephone, up 35 pesos at 1,305 pesos. The composite index added 15.52 at 1,842.72 as turnover slipped from 789m pesos to 634m.

Foreign investors were active buyers of "B" shares in Manila Electric, up 5 pesos at 241 pesos, and San Miguel, 10 higher at 143 pesos.

SINGAPORE built on Wednesday's gains, the Straits Times Industrial index adding 9.09 at 2,021.87, for its second consecutive record high.

Brokers said US buying was supporting the market, while second line stocks again featured heavily in trading.

KUALA LUMPUR also set a new high on institutional buying of blue chips. The composite index finished 30.12, or 3.7 per cent, up at 851.16.

The market's rise was led by Genting, up M$1.90 at M$25, while Tenaga Nasional and Telekom Malaysia saw respective gains of M$1 and 70 cents to M$11.80 and M$17.70.

NEW ZEALAND, helped by a 12-cent advance in Telecom to NZ$3.94, closed above the 2,000 index level for the first time in two weeks. The NZSE-40 capital index rose 32.42, or 1.6 per cent, to 2,016.45 in turnover of NZ$45m.

HONG KONG retreated further as profit-taking took hold, and the Hang Seng index fell 48.74 to 7,493.45 in turnover of some HK$3.2bn.

The banking sector continued to weaken, with HSBC Holdings down 50 cents at HK$83, but above the day's low of HK$82.

The utilities sector was weaker after recent gains, with Hong Kong Telecom losing 20 cents to HK$12.40, China Light 50 cents to HK$43 and HK Electric 10 cents to HK$20.50.

SEOUL was modestly higher, with interest mainly concentrated on small and medium-sized companies. The composite index added 3.17 at 678.03 in turnover of Won284bn.

AUSTRALIA fell back from early highs on some profit-taking in News Corp, which saw an intraday peak of A$10.38 after the group announced new satellite ventures, before closing a net 20 cents down at A$9.80. The All Ordinaries index finished 8.7 off at 1,968.4 in turnover of A$544.7m.

Among other major issues, BHP fell 14 cents to A$15.98 and National Australia Bank 20 cents to A$11.54

BOMBAY rose on Wednesday's one percentage point cut in minimum lending rate to 15 per cent, the BSE index ending 53.85 ahead at 2,684.34.

SOUTH AFRICA

SHARES drifted lower but finished above the day's worst. A weaker bullion price left the golds index off 30 at 1,722, with Gold Fields down R1.80 at R81.20. Industrials declined 7 to 4,620 and the overall index by 17 to 4,010.

Further hopes for Oslo after a recovery in 1993

Karen Fossli on prospects for Norwegian equities

In spite of a recent market setback, several domestic and foreign analysts believe that Oslo equities have some way to go before they become fully priced.

They say that the fundamentals augur well for Oslo. Interest rates are low, the economy is strong, oil prices and the dollar are relatively firm at high levels and corporate earnings are growing.

Even the dark shadow cast over the market by Norway's six-year bank crisis has been blown away by strong first-half results from the sector; there are some signs that confidence in the banks is being restored.

Rebounding strongly from a dismal performance during 1991 and 1992, Oslo's all-share index has surged ahead by 52 per cent this year to become one of Europe's top performers; last year it was among the worst in the world, with the all-share down 10 per cent.

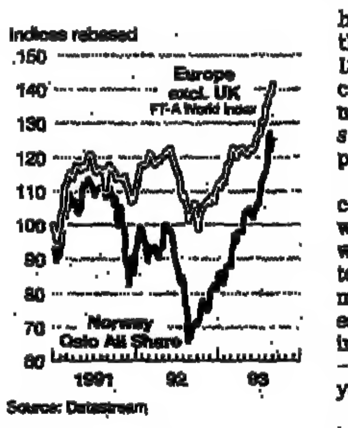
The driving force has been the sharp decline in domestic interest rates, which have plunged this year to their lowest level in more than a decade. One-month money market rates are currently hovering around 6.5 per cent, while the 12-month rate has been relatively stable at around 6.1 per cent.

Analysts believe that interest rates have yet to bottom out. They could fall to between 5.5 to 5.7 per cent this year, and support a further rise in the market of between 10 and 18 per cent before the turn of the year.

However, since attaining a year's high of 591.08 on August 13 in record turnover of NKr1.44bn, the market has relinquished some 4½ per cent.

Analysts say that the decline should be viewed as a short-term technical correction, rather than as an indication of how Oslo may perform during the remainder of the year. "Oslo could go up by another 10 per cent," forecasts Mr Tage Haug, an analyst at Kleinwort Benson.

Mr Haug notes that there has been a distinct lack of share issues in 1993; but he sees activity picking up during the second half, due to excess liquidity in the market arising from low interest rates and helped by the strong performance of share prices already this year.



Source: Datastream

According to Mr Kjell Skjevesland, director of the Oslo-based Norse Securities, last week's retreat in Norwegian equities was due mainly to disappointment over the Bundesbank's refusal to cut interest rates.

He believes that the market could advance by 15 per cent before next year and estimates that foreign investors have been behind about 60 per cent of Oslo's trading volume.

Other positive factors behind the bourse's upbeat performance include the strong dollar – currently at a near four-year high of NKr7.30 – and stable oil prices, hovering around $17 a barrel, which are nothing but good news for Norway's oil-dependent economy.

The US-based investment house Merrill Lynch believes that the dollar will rise by 13 per cent against European currencies over the next 12 months and that oil prices will strengthen over the same period.

Good earnings momentum in corporate blue chips, together with the strength of the Norwegian economy, is also expected to enhance market sentiment. Merrill Lynch expects earnings growth of 130 per cent in 1993 and 180 per cent in 1994 – after an 89 per cent drop last year from the 1989 peak.

Norway's annual rate of inflation, at 2.3 per cent, is currently among the lowest in Europe, and the country's lowest in three decades. The Bank of Norway expects the economy to expand by 1.2 per cent in 1993 and 2.3 per cent in 1994. Again, this is among the strongest projected growth rates in Europe.

In relation to European markets, Oslo will stand up quite well and will continue to be one of the best performers. Most European markets have reached earlier peaks but Oslo could go another 15 to 20 per cent," believes Mr Klas Andersson of Goldman Sachs.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 1 1993								TUESDAY AUGUST 31 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	148.84	+0.4	146.38	99.45	128.42	148.35	+0.9	3.39	148.32	147.83	98.16	129.39	146.96	148.84	117.39	128.82
Austria (17)	174.71	+1.2	171.83	116.74	150.74	150.75	+0.0	1.29	172.70	172.13	114.30	150.66	150.76	174.71	131.16	153.01
Belgium (42)	147.19	+1.0	144.75	98.33	126.99	129.58	+0.7	4.42	145.70	145.22	96.42	127.11	128.64	156.78	131.19	142.60
Canada (107)	128.42	+0.3	126.29	85.80	110.79	122.88	+0.3	2.76	128.09	127.67	84.77	111.74	122.53	130.38	111.41	127.22
Denmark (33)	225.63	+1.6	221.91	150.76	194.67	209.75	+1.1	1.08	221.98	221.25	146.92	193.65	207.41	227.15	185.11	213.59
Finland (23)	108.38	-0.9	106.59	72.42	93.51	133.86	-1.0	0.91	109.34	108.98	72.37	95.39	135.16	118.56	65.50	61.19
France (97)	168.57	-0.4	165.79	112.62	145.43	153.96	-1.0	3.00	169.17	168.61	111.95	147.57	155.57	169.17	142.72	161.07
Germany (60)	125.64	-0.1	123.56	83.96	108.40	108.40	-1.2	1.94	125.75	125.34	83.24	109.70	109.70	125.75	101.59	118.26
Hong Kong (55)	297.01	-0.1	292.10	198.44	256.26	295.50	-0.1	3.34	297.28	296.29	196.74	259.35	295.73	301.61	218.82	235.60
Ireland (15)	170.46	+0.6	167.65	113.89	147.07	170.77	-0.6	3.27	169.50	168.94	112.18	147.87	171.76	171.98	129.28	159.96
Italy (70)	76.51	-1.6	75.24	51.12	66.01	91.09	-2.2	1.79	77.88	77.62	51.54	67.93	93.17	78.93	53.78	61.22
Japan (470)	158.84	-1.2	156.22	106.13	137.06	106.13	-0.3	0.78	160.82	160.29	106.43	140.31	106.43	165.91	100.75	109.73
Malaysia (69)	394.67	+1.6	388.15	263.69	340.50	387.34	+1.8	1.77	387.74	386.46	256.61	338.25	380.43	394.67	251.66	233.80
Mexico (19)	1734.10	+0.0	1705.44	1158.63	1496.13	5902.16	+0.0	0.84	1734.17	1728.44	1147.72	1512.87	5904.29	1764.86	1410.30	1297.91
Netherland (24)	185.04	+0.2	181.98	123.63	159.65	157.51	-0.9	3.43	184.67	184.06	122.22	161.10	158.92	185.04	150.39	166.83
New Zealand (13)	61.16	+0.1	60.15	40.87	52.77	58.66	-0.1	3.80	61.06	60.87	40.42	53.28	58.69	62.98	40.56	42.29
Norway (22)	172.66	-0.5	169.81	115.37	148.97	169.32	-1.3	1.56	173.58	173.01	114.88	151.43	171.63	177.31	137.71	144.89
Singapore (38)	285.60	+0.0	280.88	190.82	246.40	211.37	+0.1	1.63	285.49	284.55	188.95	249.06	211.23	285.77	207.04	191.47
South Africa (60)	193.56	-0.6	190.36	129.32	166.99	199.90	-0.1	2.59	194.83	193.99	128.81	169.79	200.15	215.29	144.72	193.23
Spain (43)	137.70	-1.5	135.42	92.01	118.80	139.37	-2.5	4.09	139.76	139.30	92.50	121.92	142.88	140.27	115.23	141.76
Sweden (36)	181.00	-1.5	178.01	120.94	156.16	218.84	-1.7	1.54	183.77	183.17	121.63	160.33	222.34	186.23	149.70	178.25
Switzerland (50)	136.70	+0.9	134.44	91.34	117.95	123.65	-0.5	1.76	135.48	135.03	89.67	118.20	124.31	136.70	106.91	115.84
United Kingdom (218)	189.30	+0.8	186.16	126.47	163.31	186.18	-0.5	3.77	187.79	187.17	124.27	163.81	187.17	189.50	162.00	182.86
USA (520)	189.26	-0.1	186.13	126.46	163.30	189.26	-0.1	2.71	189.40	188.78	125.36	165.24	189.40	189.40	175.38	170.20
Europe (750)	157.33	+0.2	154.73	105.12	135.75	149.09	-0.9	3.00	157.01	156.49	103.92	136.98	150.38	157.33	133.92	147.60
Nordic (114)	173.63	-0.6	170.76	116.01	149.80	183.02	-0.9	1.36	174.75	174.17	115.65	152.45	184.71	183.23	142.13	161.29
Pacific Basin (714)	163.05	-1.0	160.36	108.95	140.68	113.50	-0.2	1.04	164.77	164.22	109.05	143.74	113.71	169.80	105.89	114.11
Euro-Pacific (1464)	160.59	-0.5	157.94	107.29	138.55	128.03	-0.5	1.83	161.47	160.93	106.85	140.85	128.61	162.72	117.26	127.66
North America (627)	185.46	-0.1	182.41	123.94	160.05	184.74	-0.1	2.71	185.59	184.98	122.84	161.93	184.84	185.59	171.51	167.51
Europe Ex. UK (532)	137.20	-0.2	134.94	91.69	118.40	127.53	-1.1	2.49	137.47	137.01	91.00	119.95	128.91	137.47	112.51	126.20
Pacific Ex. Japan (244)	204.81	+0.4	201.42	136.86	176.72	189.84	+0.6	2.96	204.03	203.36	135.08	178.02	188.76	204.81	152.70	157.06
World Ex. US (1650)	160.81	-0.5	158.15	107.45	138.75	130.11	-0.4	1.85	161.64	161.11	106.99	141.02	130.66	162.78	118.51	129.03
World Ex. UK (1952)	167.34	-0.5	164.57	111.81	144.39	144.73	-0.3	2.00	168.13	167.58	111.28	146.69	145.12	168.13	134.22	138.07
World Ex. So. Af. (2110)	169.24	-0.3	166.44	113.09	146.03	148.01	-0.3	2.17	169.83	169.27	112.41	148.17	148.45	169.83	137.29	141.67
World Ex. Japan (1700)	176.87	+0.1	173.94	118.18	152.62	172.30	-0.3	2.81	176.77	176.19	117.00	154.24	172.81	176.87	157.47	160.30
The World Index (2170)	169.28	-0.4	166.48	113.11	146.06	148.48	-0.3	2.17	169.88	169.32	112.43	148.21	148.91	169.88	137.32	141.94

Latest prices were unavailable for this edition.